

JPRS-CEA-86-116

4 NOVEMBER 1986

China Report

ECONOMIC AFFAIRS

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4 NOVEMBER 1986

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

JINGJI RIBAO SURVEYS REACTION TO ECONOMIC REFORM

HK010701 Beijing JINGJI RIBAO in Chinese 12 Sep 86 p 3

[Article by Li Ping [2621 5493]: "The Tide of the time is Irreversible -- This Paper's Investigation Report on 'Reform and Public Opinion'"]

[Text] Since the 3d Plenary session of the 11th CPC Central Committee began the reform of the economic structure, a full 8 years have elapsed. The effects of reform on the old structure are obvious and can be readily seen but, as for people transferred from the old structure, to what extent have they been affected by the reform? And what kinds of reaction has the reform attracted from people in respect of understanding, concept, psychology and attitude? In order to gain some understanding regarding this and for the sake of making some objective propaganda, in June this year, the Jingji Ribao research department conducted a social investigation by means of issuing a questionnaire on the reform of the urban economic structure and the reaction of public opinion thereon.

The respondents were scattered throughout 17 large, medium-sized and small cities and towns in Liaoning, Sichuan, Shaanxi, Jiangsu, Guangdong and the Beijing area. Although 3,000 questionnaires were issued. There were 2,216 valid returns, or 73 percent. Of them, the distribution was as follows: workers, 25.7 percent; cadres of enterprises, 14.2 percent; cadres of government organs, 18.8 percent; technicians, 8.3 percent; research workers and teachers, 11.5 percent; college students, 9.7 percent, units of individuals, 4.7 percent; youths awaiting employment, 2.3 percent, and others, 4.2 percent.

Approval, Understanding, and Support

The great majority of people approved the reform, understood it and supported it. This is the basic conclusion derived from the survey on the "reform and public opinion."

-- Eighty-two percent of the people expressed their willingness to directly participate in the reform through their own work. The high degree of unanimity in the people's choice and the demonstrated enthusiasm for participation in the survey were really pleasing and encouraging. Some people expressed the hope that through their direct participation, changes

could be brought about in China's economy, politics, culture and society; some people hoped that through personally experiencing the process of the reform and examining and learning the profound social changes, they could sum up the theories and make improvements thereon; some people were hoping that by means of the reform they could train up and temper their ability and improve their talents; some people hoped that simultaneously with seeking benefits for society, they could seek benefits for themselves and become active utilitarians; and some people were purely interested for the purposes of changing their work and living environment. In short, people harboring different motives and aspirations were all swept into the tide of reform. The existence of these kinds of hopes and aspirations has built the foundation for the populace to be the principal body of the reform. People already have, from unconsciously to consciously, from the part to the whole and from the present to the remote future, linked their interests and future with the objectives, future, and destiny of the reform.

-- Sixty percent of the people approved that "a portion of the people to be allowed to become rich before others" 77 percent of the people favored the free mobility of talented people; 89 percent agreed that enterprises should be solely responsible for their own profits and losses; 62 percent believed that opening to the outside world had more advantages than disadvantages; 95 percent were for awards and bonuses having more grades, 81 percent supported the theory that awards and bonuses "should have no ceiling nor any fixed lower limit"; and 84 percent fervently hoped that the practice of "everybody eating from the same big pot" would be completely eradicated. Today, people have at least refuted the concepts of the "iron rice bowl" and "everybody eating from the same big pot," forsaken egalitarianism which calls for "everybody being equally rich or poor," and can no longer stand being fooled or closed to the outside. The Chinese people have boldly chosen this reform and chosen opening to the outside world and competition.

Nevertheless, people have felt that in reality the reform has not been so ideal. Referring just to the practice of "everybody eating from the same big pot," over 75 percent of the working personnel of the various enterprise units and the technicians and managing personnel of the enterprises have found that this is still very prevalent. Although the enterprises have carried out reform on the distribution system and on matters of contracting, over 50 percent of the workers and salesmen are of the opinion that the practice is still far from being eradicated. Forty-three percent of the people have reflected that they are still getting "egalitarian bonuses." But the changes in people's understanding and concepts have gone ahead of our current reform, and have formed an enormous force pushing the reform forward.

Just because of these changes in understanding and concept, insofar as many people are concerned, returning to the old structure is unacceptable. In replying to the questionnaire, some people counselled thus: While the former situation was one of indifference and low efficiency, to turn back from increasing the grades for bonuses to "egalitarian bonuses" and from contracting and the responsibility system to "everybody eating from the same big pot" would lead to consequences tantamount to intentionally "muddling along" and "dawdling" which will produce even lower efficiency and greater feelings of discontent.

Going back to the old road provides an exit and maintaining the status quo is unacceptable to people. People can no longer stand the continuance of the situation of "everybody eating from the same big pot" and, in particular, continuance of the situation, brought about by "everybody eating from the same big pot," of a swollen organizational structure, over-staffing, and low working efficiency. A worker has put it well: "Reforming only the common people and not the cadres is not right; reform is competition and competition must include everybody." This is the motive force generated by changing the concept.

The survey further reveals that people's understanding of the reform is also manifested in that, in confronting the changes brought about by the reform they are not indifferent nor are passively waiting but rather are adopting an active attitude suitable to the reform. Ninety-six percent of the people believed that to be suited to the changes that may be brought about by the reform we must be prepared on all sides. The questionnaire listed 12 answers for selection, these including "money," "graduation certificate," "power and position," and so forth. The choices picked by workers, individual households and youths awaiting employment were "good physique," "knowledge and technology," and "money"; staff members of commercial enterprises chose "good physique," "commercial ability," and "knowledge and technology"; the choice made by scientific and technological personnel, teachers and cadres were "good physique," "knowledge and technology," and "competitive ability"; and college students chose "knowledge and technology," "competitive ability," and "ability in social intercourse."

Following and accompanying the reform will be the gradual establishment of a social economic structure which can truly enforce "distribution according to work" and can fully exploit the individual's talents. The results of the survey showed that people have perceived this point and clearly understood that the changes brought about by the reform would envisage competition between dependence on work to become rich or on knowledge and technology, and the individual's ability. Hence, people have come to understand that according to the long-range view it does not hold true that given power and position one has no more worries or that the possession of a "graduation certificate" will give you anything. On the other hand, the real foundation is a healthy physique, a definite degree of knowledge and technological level and the ability to perform one's work well. It cannot but be said that, regarding the reform, to suit one's self to the new structure that will soon be formed and to transform and remake one's self so as to become a qualified constituent member of a new socio-economic life receives the utmost approbation, understanding and support of the broad masses of people.

Impressions of the Reform

What are people's general impressions of the reform of the urban economic structure? Are the objectives of the reform clear and definite? Is the policy stable? Are the measures forceful? Are the steps of the reform too large or too small? What are the results of the reform? In the survey of "Reform and Public Opinion," we have mapped out a series of questions on "your general impressions of the reform of the urban economic structure in the past few years."

-- Objectives of the reform. Fifty-seven percent of the people acknowledged the objectives of the reform to have been clear and definite; 27 percent believed that they were not so clear and definite; 5 percent thought they were not clear or definite at all; the remaining 11 percent believed that they were about average.

-- Steps of the reform. Forty-six percent of the people thought that the steps of the reform were not too large; 26 percent thought that they were about average; and 28 percent considered the steps to be relatively large. Over 50 percent of the working personnel of educational, and scientific research units were of the opinion that the steps of the reform were not large enough.

-- Policy of the reform. Forty-nine percent of the people thought the policy of reform was not stable enough; 39 percent thought that the policy was comparatively stable; 12 percent thought that it was about average.

-- Measures of reform. Thirty-one percent of the people thought that the measures were extremely competent or relatively competent; 48 percent were of the opinion that the measures were not competent or extremely incompetent; 63 percent of the cadres and intellectual elements of above collegiate cultural level thought that the measures were not sufficiently competent.

-- Obstacles to reform. Seventy-eight percent of the people thought that the obstacles to the reform were "extremely great" or "comparatively great"; 19 percent thought that the obstacles were "not too great"; 3 percent thought the obstacles were "nil."

-- Results of the reform. Seventy-seven percent of the people believed that "the reform did not succeed but that experiences had been obtained therefrom" and that "the results were not exactly clear but a tide of reform had been formed."

The results of the investigation showed that the basic impression of the reform on the part of a sizable portion of people was: The objectives of the reform were clear and definite but that the steps of the reform were not large, that the policy of the reform was not sufficiently stable or firm, that the measures were not sufficiently competent, and that the practices of the reform had not achieved enormous successes but that experiences had been accumulated and that an irreversible current had been formed.

Identifying the Impediments?

Following the intensifying of the reform, impediments from various sides gathered momentum. Seventy-eight percent of the people were clearly aware of this. This majority believed that "obstacles in the middle" were the central manifestation of the existing impediments to the reform. In their answers to the questionnaire, the public indicated: The thoughts of certain middle-level cadres were ossified and they themselves were not

proficient enough"; certain of the cadres "did not want reform and generally hoped that detailed regulations would be forthcoming from the central authorities"; some cadres "had already been benefitted by the former structure." These particular middle-level cadres either were not interested in the reform or "devised countermeasures against policies from the above," and thus formed "obstacles in the middle."

But people's understanding of the impediments to the reform were not confined to knowing about the "obstacles at the middle-level"; rather, in the investigation, many people have expressed the following views: "improper winds are the great enemy of the reform," "traditional ideas are the great enemy of the reform," "bureaucratism is the great enemy of the reform," "the problem of special privileges is the obstacle on the road to the reform," "the relationship network" is the impediment to the reform," "kind and elderly people are the stumbling blocks to the reform," and so on. The fact that people have come to recognize improper winds, bureaucratism, traditional ideas, the relationship network, and so forth, as impediments to the reform shows that a sizable portion of people have come to understand that the strong under-current impeding the reform actually originated from a social foundation, namely, the economic structure and political structure formed over the past 30 years by traditional culture and psychology and the various kinds of social drawbacks left over by the 10 years of internal disturbances. They are extremely important parts of the social foundation in the reactions to our current reform.

Improper Winds Did Not Originate From the Reform and Opening to the Outside

"In recent years, the improper winds have become increasingly serious!" If we include the 11 percent of people who did not object to this statement, then in the statistics of our investigation, 80 percent of the people may be said to have harbored this kind of indignation and these emotional sentiments.

The results of the investigation found that only 6 percent of the people believed that the improper winds had originated from opening to the outside world and that only 14 percent believed that they had been due to the reform. It can thus be seen that the broad masses of people have no means ascribed the improper winds to the reform. Indeed, on the problem of the origin of the improper winds, material interests and opportunities were not the focal points recognized by the people; rather, the central issue concerned how the distribution of the material interests and opportunities would be made, by whom and to whom it would be made and also concerned the operation system which turned the wheels of the mechanism of this distribution. Sixty-two percent of the people held this view. Precisely because of this, people take the improper winds principally to refer to: The relationship network and connections through petticoat influence with power or authority as the nucleus and with the contents of exchanging power or authority for interests; using power to seek private gains and giving bribes and receiving bribes; making use of power to take advantage of vacuums in the reform or in the interim between the new and old

structures replacing each other; and indulging in acts of self-enrichment through the reform. In short, in people's minds, the deeply hated improper winds are frequently related to power and authority such as the "improper winds of power," "improper party winds," and "improper winds of officials." Amidst the populace, the cries for dealing heavy blows on improper winds were exceptionally loud and 97 percent of the people earnestly hoped that the improper winds would be seriously dealt with. People believed that fundamentally the countermeasure should be supervising and restricting power. From this angle, people have derived the following conclusion: the inevitability of political reform.

A Minority of People Being Indifferent and Disappointed; Some People Feeling Concerned and Worried

The reverberations of the reform were society-wide in nature; the reactions attracted were many-sided and of many layers and grades. Concurrently with 72 percent of the people showing full confidence in the reform, there were still some failing to see the future of the reform; and concurrently with the great majority of people willing to take part in the reform, a minority of people were indifferent and adopted the attitude of onlookers on the sidelines. People approving the reform both in understanding and ideologically have obviously failed to make full preparations either in psychology or in spirit.

The results of the investigation showed: 7 percent of the people originally lacked enthusiasm for the reform; 11 percent lost their enthusiasm which they formerly had for participating in the reform; a small minority of people, 4 percent, had no confidence in the reform; and 24 percent expressed doubts about the ultimate success of the reform.

Although the aspects of reform aiming at breaking the practice of "everybody eating from the same big pot" received the general approval of the people, yet psychologically 48 percent of the people still harbored various kinds of concern about thoroughly eradicating the practice, 25 percent were concerned that this would be followed by tense relationships among people, 10 percent worried that there would be tense conditions in work, while among people over 45 years old, 39 percent expressed the fear that they would not be suited to the change because of their physique and age.

Among the workers and salesmen, 30 percent worried that there would be no protection for their income. All these worries denoted that people had not made sufficient psychological preparation and preparations in ability toward the reform. Quite a sizable portion of the people, on the one hand, earnestly hoped for the breaking of the old structure and establishing a new structure and, on the other hand, were concerned that they might not be suited to the shocks and reverberations that would be brought about by the new structure; they hoped for the early breaking of the practice of "everybody eating from the same big pot," and also hoped that the transition would be a steady one. This point can also be noted from the people's attitude toward the granting of bonuses: The great majority hoped that there would be more grades in bonuses but 66 percent were against the gaps being

too wide. After many years of holding an "iron rice bowl" and "everybody eating from the same big pot," although people seemed to have deeply hated these practices, yet their psychological reliance on "everybody eating from the same big pot" was not entirely eradicated.

Confronting the social changes brought about by the reform, similarly there were people full of confidence and aspirations and there were also people harboring worries and concerns. Looking at the problem from the angle of whether or not "money" should be the prime consideration, it was found that the younger people tended to affirm this whereas middle-aged and elderly people were inclined to refute it. In the 25-year old group 64 percent supported the "affirmative" or thought that there was "no reason why money should not count first"; in the age group of those aged 26 to 35 years old, a majority, 52 percent, also adopted the attitude of not opposing "money" being a prime consideration. But in the 36-45 group, the 46-55 group and those over 35 years old, respectively 63 percent, 74 percent, and 70 percent of the people were against taking "money" as the principal consideration. Some elderly comrades have expressed a deep concern over the shift in the viewpoints of the young people. Several elderly cadres wrote thus in their answers to the questionnaire: "Desire for money can make people lose their 'national character' and their 'human character,'" "money can lead to crime," "money should not be considered all-powerful; we should not always 'look toward money'"; "it is necessary to strengthen the education of the youths and grasp tightly political and ideological work." These assents and dissents reveal to us that the course of the shift in concepts accompanying the reform has not been one without painful actions and reactions.

Hopes of People

In "allowing a portion of the people to become rich before others," who has actually become rich first? Who are those benefitted by the reform? This is one of the questions people are universally concerned with. Fifth-three percent of the people believed that the peasants were the first to have been benefitted. Seventy-nine percent of the people believed that in the reform of the urban economic structure, the individual households have become rich before others; 46 percent believed that people who "blew improper winds by relying on their power" had been benefitted in the course of the reform. In the 9 questions asking who was currently benefitting in the reform, these were the first three categories of people selected in the answers.

The people as a whole will be those ultimately benefitted by the reform. Regarding this point, a great majority, or 64 percent, of the people expressed their deep belief and did not have any doubt at all. Nevertheless, people still showed a sensitive reaction to the question of who benefitted in the reform. In the survey, a worker in Heilongjiang province raised the question: "The peasants, individual units, and cadres have become rich in varying degrees. This is correct. But when and how will the workers become rich?" In the investigation, it was found that many people were

discontented with the phenomenon that those "responsible for the improper winds through using their power or position" had been benefitted in the reform. If the traditional psychology of "not minding many or few but minding inequality or being non-egalitarian" plays a hand, then today even more people are discontented with "inequality" being generated by power and getting rich through illegal means.

In their answers many people expressed the hope that the "utmost efforts would be exerted to make the whole people jointly enriched. Following the rural reform gaining successes at one stroke, urban people have entertained high hopes of becoming rich by means of the reform. Up to now, the urgent desire for enrichment has influenced many people in their selection of the objective of the reform. In the question "which objective you wish the reform to attain first," we listed in the questionnaire 9 answers for selection including "reform of the ownership system of the enterprises," "putting the economic relations in good order," "flying success of the national economy," and others, 68 percent of the answers chose "raising the standard of living." Of the answers listed for selection regarding the objectives for social development and including such alternatives as "democracy in politics," "a perfect system of laws," "equal opportunity for all," "civilized opening to the outside world," and "being comparatively well-off," 49 percent of the answers selected "being comparatively well-off," and 54 percent contended that "a system which permits people to pass happy days is a good system." Making of urgent demands for the three-in-one reform of political democracy, freedom of speech and studies, and economic reform was confined to a minority of intellectual elements. The high or low calibre of the people's selection of the objectives of the reform determines the kind of social psychological environment surrounding the reform and in turn influences the speed of the momentum of the reform in pressing forward. It is necessary to make the broad masses of people understand that without reforming the political structure, reform of the economic structure cannot be thoroughgoing; without transforming the concepts, reform is like building an edifice in the desert and is extremely insecure.

Comrade Jin Xiaoshi [6855 1420 4258] of the Dalian Engineering Institute did a great deal of work in compiling the statistical data of the survey.

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CSO: 4006/53

NATIONAL POLICY AND ISSUES

OFFICIAL ON EFFORTS TO MEET HOUSING NEEDS

OW051400 Beijing XINHUA in English 0930 GMT 5 Oct 86

[Text] Beijing, 5 Oct (XINHUA)--The world housing day, which falls on today, was marked in China by action instead of word of mouth.

An official from the Ministry of Urban and Rural Construction and Environmental Protection said here today that the best way to mark the day is on the construction sites throughout the country.

He told reporters that this year, the country had by the end of August completed 19.21 million square meters of housing, which provide new homes for more than 384,000 families.

Shortage of housing is a common problem in the world and the U.N. General Assembly decided to promote housing construction by making the first Sunday every October the World's Housing Day.

The official said that China had long felt the pinch of the problem and made great efforts to ease it. During the Sixth Five-Year Plan period from 1981 to 1985, the government invested 100.7 billion yuan (nearly 27.3 billion U.S. dollars) in housing construction, which was 63.6 percent of the previous 36 years' total.

In order to encourage a housing construction boom, the government is commercializing housing to get more funds for building more new homes. In recent years, the government sold nine million square meters of new and old housing to individuals and recovered 1.04 billion yuan in funds.

Now the government is encouraging enterprises and individuals to pool funds for building houses. Over the past five years, enterprises have raised 60 percent of the total housing investment and individuals raised about 6.52 billion yuan.

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CS0: 4020/18

ECONOMIC DEVELOPMENT ZONES

DALIAN PLANS NEW PROJECTS, SEEKS OVERSEAS FUNDS, TECHNOLOGY

Open Coastal City Expands Industry

OW290608 Beijing XINHUA in English 0543 GMT 29 Aug 86

[Text] Dalian, 29 Aug (XINHUA)--The economic development zone in Dalian, one of the 14 open coastal cities in China, is planning to draw more foreign funds and technology to speed up its chief industry.

An official of the managing committee of the Dalian economic development zone told XINHUA today that the zone had signed 29 contracts by the end of July with 100 enterprises from 21 countries and regions, with a combined investment of 377 million U.S. dollars.

A total of 21 projects have started construction, of which seven are Sino-foreign joint ventures. Five projects were in operation by the end of July.

The projects under construction feature advanced technology, processing of local specialities and production of goods in short supply with advanced foreign technology and equipment.

The economic zone's development has promoted trade in Dalian City which has established economic and trade relations with 1,000 firms in 70 countries and regions. The city won export contracts worth 170 million U.S. dollars in the January-July period.

Joint-Venture Can Factory

OW301632 Beijing XINHUA in English 1521 GMT 30 Aug 86

[Text] Dalian, 30 Aug (XINHUA)--A pull-top can company, with its automatic production line imported from the United States, went into operation today in the economic development zone of Dalian. One of China's 14 coastal cities opened to foreign investment.

Built by the Wusan factory in Shenyang, capital of Liaoning Province, the North China Wusan Can Company is able to produce 100 million aluminum-alloy can bodies and 250 million lids a year.

Covering an area of 15,000 square meters, the company is the first operational industrial enterprise in the zone.

At present, there are 21 projects, including seven Sino-foreign joint ventures, under construction in the zone, which is 33 kilometers from downtown Dalian.

Foreign Contracts Rise 50 Percent

OW221414 Beijing XINHUA in English 1326 GMT 22 Sep 86

[Text] Dalian, 22 Sep (XINHUA)--In the wake of continuing improvements, foreign investors are converging on this coastal city of Liaoning Province, Mayor Wei Fuhai said today.

During the first eight months of this year, the city has signed contracts with foreign businesses for 34 projects which involve a foreign investment of 248 million U.S. dollars. This figure is 50 percent more than the same period in 1985.

These new projects include hotels, prawn raising, machines for light industry, textiles and development of agricultural produce.

Since it was granted special status in 1984, Dalian has upgraded its docks to allow accommodation of larger ships and more diversified products. It has already completed four deepwater berths for sundry goods and is adding another four berths for coal and dangerous cargo.

Two storage and dispatching yards will also be built and 40 locomotives imported from the United States will facilitate the speedy transport of products throughout China.

Work began last year on a 390-kilometer road from Dalian to Shenyang which will be completed in 1990, and the airport has already been expanded to accommodate jumbo jets with charter air service starting in a few days.

A 40,000 line computer-controlled telephone exchange, imported from Sweden, has been installed, and by 1988 Dalian will be self-sufficient in electricity from a new 700,000 kilowatt thermopower plant.

Beginning this year, Hong Kong and Japanese investors will start construction on ten hotels.

Of greatest importance is that the city has launched a drive to improve service and efficiency, the mayor said. Officials from different offices met regularly to discuss problems faced by foreign investors.

The city recently issued a regulation granting preferential treatment to foreign investors in the areas of tax reduction, water, electricity and other material supplies.

Hong Kong Investors Outnumber Japanese

HK070547 Hong Kong SOUTH CHINA MORNING POST in English 7 Oct 86 p 10

["First in a series" of articles by Terry Cheng on "recent" tour of Dalian, Lushun, Harbin and Jilin)

[Text] Many Japanese would like to visit Dalian for nostalgic reasons. But many more come to this northeastern port city for trade.

Dalian's Japanese architecture and the trams they built are some of the reminders that Japan once ruled this city at the tip of the Liaodong peninsula.

Many elderly citizens who were educated during the Japanese occupation speak the language and Dalian's Foreign Language Institute is reputed for its Japanese study. Unlike their counterparts in many other mainland cities, hotel assistants speak Japanese better than English.

The Japanese, whose occupation of the city ended in 1945, have returned and now account for 40 percent of the city's international trade. They also handle two-thirds of the goods going through the port, according to one estimate.

However, Japanese investors have shunned the Dalian Economic and Technical Development Zone originally aimed at them.

Like special economic zones in Shenzhen, Zhuhai and Xiamen which are mainly for investors in Hong Kong, Macau and Taiwan respectively, the development zone in Dalian set up two years ago was mainly for the Japanese.

The central government has invested heavily in the infrastructure in the zone.

According to the deputy director of the Policy Studying Office of the development zone, Mr Diao Shisheng, planners had banked on Dalian's historic connection with Japan, its proximity and abundant resources of the city's vast hinterland, to attract the investors.

However, now Hong Kong and Western investors outnumber their Japanese counterparts.

More than 30 contracts have been signed, with an estimated investment of U.S. \$497 million (about HK\$3.8 billion). Of these, 17 are industrial projects, while others include hotels and apartments.

Work has begun on 21 projects and five or six have been completed and put into production.

Fifteen of more than 30 projects are joint ventures, with a total investment of U.S. \$250 million (about HK \$1.95 billion). And of them, one-third is from Hong Kong and Macau.

The others include Japan, the United States and West Germany.

Said Mr Diao: "The Japanese have been very cautious in making investment." He admitted that the development zone now "aims at the outside world".

Mayor Mr Wei Fuhai has said investors from Hong Kong and Macau, the United States, and European countries have also overtaken those from Japan in participating in the city's economic development.

Hong Kong and Macau Chinese who know the country better than foreigners are increasingly involved in Dalian.

For example, the six hotels being built in the city all involve Hong Kong business men. The projects are worth about U.S. \$100 million (about HK \$780 million).

Last year, Dalian set up an office in Hong Kong in a further bid to lure foreign investment and technology.

The small investment by Japanese firms in Dalian reflects the wary attitude of foreigners in investing in China.

In a major move to improve the city's investment climate, an eight-point plan was announced in August aimed at reducing costs for investors.

The municipal government is also expanding the cargo-handling capacity of its port, and improving transport and communication networks.

Although the reputation of Dalian as an investment center for Hong Kong investors is growing, local tourists are not so familiar with the port city.

Dalian tourism officials are hopeful that a direct charter flight between the city and Hong Kong, inaugurated recently, will help to boost tourism considerably.

At present, a Trident with a passenger capacity of 105 is being used on the weekly route.

The city's pleasant climate, its varied and stylish buildings reflecting the periods of Russian and Japanese occupation, bathing places, and abundance of agricultural and seafood are some of the attractions.

Visits to factories of glassware, enamelware, arts and crafts may also prove to be a selling point.

Dalian's drawback lies in its lack of historical relics which is due to its relatively short history (it only became a city during the late 19th century).

Hong Kong tourism operators are not optimistic about the prospects of attracting a large number of local tourists for a lengthy stay in Dalian.

Tourist groups would probably use Dalian as a stopover for visits to other areas in northeastern China.

The air link to Dalian has helped improve accessibility to the area.

Now, people from Hong Kong who want to visit the three northeastern provinces can save time and money by flying direct.

It takes a shorter period from Dalian than Beijing to reach most cities of the northeastern provinces.

New hotels in Dalian are expected to accommodate businessmen more than tourists. However, it is likely that supply of hotel rooms may exceed demand next year when all the new hotels are completed.

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CSO: 4020/16

ECONOMIC DEVELOPMENT ZONES

MORE POWER PLANTS PLANNED IN COASTAL, SEZ AREAS

OW010800 Beijing XINHUA in English 0730 GMT 1 Oct 86

[Text] Beijing, 1 Oct (XINHUA)--The Chinese government is using both domestic and foreign funds to put up more thermal power stations in China's open coastal cities and special economic zones, the State Planning Commission said here today.

The move is designed to help alleviate the present shortage of power supply and improve the investment climate, the commission added.

Power plants with an aggregate generating capacity of 7,100 MW are scheduled to go into operation in these economically developed areas of the country in the year 1990, the last year of China's Seventh Five-Year Plan period (1986-1990). At present, power producers in these areas only have a combined generating capacity of 7,900 MW.

China plans to build 25 power stations with a total generating capacity of 14,400 MW in the coastal cities and special economic zones in 1986-1990 -- almost 25 percent of the total of the country's power plants to be undertaken in this period, the planning commission said.

Among these new projects are many large and medium-sized ones, which include Tianjin's Jixian power plant, with a design generating capacity of 1,000 MW, Guangzhou's Shajiao power plant, with a design generating capacity of 1,900 MW, and Shanghai's Shitongkou and Zhejiang's Beilungang power plants -- each with a design generating capacity of 2,400 MW.

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ECONOMIC DEVELOPMENT ZONES

SHANGHAI STRENGTHENS FOREIGN COOPERATION

OW071301 Beijing XINHUA in English 0825 GMT 7 Oct 86

[Text] Shanghai, 7 Oct (XINHUA)--Shanghai, China's industrial center, is making direct business contacts with 160 countries and regions in the world, PEOPLE'S DAILY reports today.

Shanghai port fulfilled four fifths of its annual export quota in the first nine months of this year, up 10 percent over the same period last year.

According to the paper, Shanghai has executed 30 contracts worth 70 million U.S. dollars on foreign construction projects and labor service, and set up a dozen sino-foreign joint venture companies overseas.

It has assisted 14 countries with overall construction and operation of 20 plants and sent 400 experts to these countries to help with installation and operation.

At present, Shanghai has signed contracts with foreign firms to import more than 900 items of technology and equipment. These contracts involve a total of 900 million U.S. dollars.

The paper says, at the end of September this year, Shanghai had 450 projects attracting a total of 1.7 billion U.S. dollars. Included were 200 sino-foreign joint ventures, cooperatives and sole-foreign investment enterprises with a combined direct foreign investment of 1.4 billion U.S. dollars.

Recently the Shanghai municipal government has set up a leading group to direct the use of foreign investment.

The paper states that Shanghai plans to give foreign-funded enterprises more autonomy in management and take advantage of its cheap labor service and other benefits to enable these enterprises to produce competitive products at low cost.

To strengthen foreign economic exchange, the city has sent 900 delegations abroad to make study visits, promote sales and offer technical training this year.

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CSO: 4020/20

ECONOMIC MANAGEMENT

NORTHEAST CHINA COOPERATION MEETING CONCLUDES

SK250742 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 24 Aug 86

[Text] The Third Northeast China Economic and Technological Cooperation meeting concluded on 23 August. Agreements on 226 projects for economic and technological cooperation have been reached at the meeting. Talks on more than 500 projects are continuing.

At the 3-day meeting, representatives from three provinces and a region in Northeast China thoroughly studied the special characteristics of the Northeast China Cooperation Area, its position in the nation, the proprieties in conducting lateral cooperation, and the feasible measures for conducting the cooperation; discussed the tentative plan for gradually developing associations of large key enterprises and groups of enterprises in Northeast China; and entrusted the provinces and the region with a task of putting forward suggestions.

The representatives from the three provinces and the region, and comrades from key enterprises, universities, colleges, and scientific research units extensively and conscientiously discussed the issues concerning economic and technological cooperation; exchange of talented persons, goods and materials; development of energy resources; building of raw material supply bases; and development of famous-brand, quality products and export products that can create foreign exchange. During the meeting, they preliminarily exchanged information about 793 projects in which all of them were interested. They formally signed the contracts for cooperatively developing some of the 226 projects which had been agreed upon. The contracts are as follows: Shuangyashan City and the Anshan Iron and Steel Company jointly develop the iron and steel industry; and the Shenyang brewery and the Tonghua winery are organized into an integrated association. During the meeting, the three provinces and the region made an agreement on jointly setting up four large integrated associations in such fields as the vehicle, iron and steel, power machinery, and petrochemical industries. These four large integrated associations include a group of large vehicle enterprises with the Changchun First Vehicle Plant as its head, a group of large iron and steel enterprises with the Anshan as its head, the Northeast China Association of Heavy Power Machine Enterprises headed by the company for producing complete sets of equipment under the Harbin Power Plant, and a group of chemical industrial enterprises focusing on developing Liaoning's ethylene and Heilongjiang's polyester. The provisional regulations of the Northeast China Cooperation Area on economic and technological cooperation were discussed and adopted at the meeting.

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CSO: 4006/37

ECONOMIC MANAGEMENT

CONCERN OVER NONBUDGETARY SPENDING DISCUSSED

OW230225 Beijing XINHUA Domestic Service in Chinese 1147 GMT 21 Aug 86

[By reporter Ge Taxing and correspondent Xiao Fengtong]

[Text] Beijing, 21 August (XINHUA)--Despite repeated injunctions of the central authorities on the need to drastically curtail nonbudgetary investment in capital construction, spending on nonbudgetary capital construction projects in various localities continues to increase every month. It has become a direct contributing factor to China's current excessive spending.

According to figures compiled by the State Statistical Bureau, the total amount of nonbudgetary investment in capital construction for the first 7 months of this year reached 4.4 billion yuan; spending on such projects for the first 6 months totalled 3.38 billion yuan, accounting for 10 percent of entire investments in capital construction in the same period. The month of July witnessed a sharp increase of more than 1 billion yuan in spending on nonbudgetary projects, and its percentage of entire investments in capital construction also rose to 10.4 percent. Even after the beginning of August, the rate of growth of nonbudgetary investment in capital construction has not declined.

In formulating this year's capital construction plan, the state clearly stipulated that except for emergency funds for various localities and enterprises and nonbudgetary funds for building middle and primary schools, all capital construction investment should be included in the state plan. However, among the nonbudgetary capital construction projects completed from January to July this year, investments in building middle and primary schools amounted to only 600 million yuan, or 15 percent of total spending. "Nonbudgetary" projects have become the haven and excuse for various localities and units to refuse to implement the state plan and to blindly develop and expand their capital construction projects. In such localities, development projects that have not been included in the state plan have become nonbudgetary projects. Nonbudgetary investment in capital construction has not been reduced. Instead, more pretexts have been made to develop nonbudgetary, capital construction projects. Many projects have begun without proper authorization or prior approval. Various localities and units often act first and report afterwards.

People in the economic sphere believe: In order to smoothly carry out reforms and stabilize the entire situation in the national economy, various districts

must be determined in curing the chronic and stubborn disease of failing to place nonbudgetary spending under control. It is necessary to carefully screen nonbudgetary projects and resolutely adopt relevant measures to stop or postpone the development of such projects. Funds spent in completing nonbudgetary projects must be deducted from next fiscal year's budget according to relevant regulations. Various planning, banking, statistical, and auditing departments must strengthen checkups and supervision. Whenever they discover nonbudgetary projects under development in violation of state regulation, they must take the necessary disciplinary measures and investigate and affix liabilities on the person or persons responsible for the malpractice.

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CS0: 4006/36

JINGJIXUE ZHOUBAO ON ADJUSTING INVESTMENT STRUCTURE

HK251130 Beijing JINGJIXUE ZHOUBAO in Chinese 10 Aug 86 p 1

[Article by Gui Shiyong [2710 0013 6978]: "The Great Significance of Studying Investment Structure"]

[Text] Investment is the main means for developing social production and improving the people's livelihood. The involvement structure includes the structure of the sources of investment and the structure of the use of investment. Whether the investment structure is reasonable is to a great degree determined by the changes of the economic structure and by the results of the use of investment. In this sense, the issue of the investment structure is a major strategic issue to which we must attach great importance and must seriously study at any time. Our current studies of and discussions about the investment structure are of particular immediate significance due to the specific historical background.

First, the reasonable adjustment of the investment structure is an important condition for promoting the economic structure reform. We are striving to lay a sound foundation for our new socialist economic structure within the Seventh 5-Year Plan period or in a longer period. The main sign is the maintenance of a general balance between total demand and total supply. In the last 2 years of the Sixth 5-Year Plan, the excess of total social demand over total supply became increasingly prominent. This was attributed to the swelling of investment and to swelling of the consumption funds, but the main factor was the swelling of investment. In the past 2 years, the contradiction in this regard has been mitigated, but the problem has not been fundamentally solved. In order to ensure the healthy development of reform, we must resolutely control the scale of investment within the limits of our national capacity. This is a key issue. For effective control, we must adjust the investment structure correspondingly. The scale of investment and the structure of investment are two factors that influence and condition each other. If we merely reduce the scale of investment, we may cause more serious problems in the investment structure, which may in turn lead to further swelling of the scale of investment. Therefore, without the adjustment of the investment structure, the control over the scale of investment will not be based on a solid foundation. After the total investment is brought under control, a more serious problem may appear in the structure of investment. So the control over the scale of investment must be linked with the adjustment of the investment structure. At

the same time, investment is an important economic activity, and the reform of the regulatory mechanisms of the investment structure is itself an important part of the economic structural reform. How to adjust the investment structure and what measures to be adopted to adjust the investment structure are also the major questions that we must properly solve in our reform.

Second, the reasonable adjustment of the investment structure is the key to maintaining the momentum for future economic development. The Seventh 5-Year Plan period is a crucial period for us to prepare for the material and technical conditions for the economic development in the 1990's. The pace of enterprise technological transformation must be speeded up; the construction of the basic facilities and industries concerning energy, transportation, and raw materials must be strengthened; necessary investment in some new and key industries should be increased; and science and education should be further developed. Now, all of this is affected by the shortage of funds. We should make full use of the favorable international conditions to bring in more foreign funds. However, the main way to overcome the shortage of funds is to raise the efficiency of the use of funds and to rationalize the structure of investment so that our limited funds may be used to meet the most urgent needs. To do this, a key point is to adjust the investment structure under the premise of controlling the scale of investment.

Third, viewing from a wider scope, we may find that a rational investment structure is of profound significance for ensuring the prolonged and well-coordinated development of our national economy under a new situation. Through our efforts in the Sixth 5-Year Plan, our national economy has developed into a new stage focused on a structural readjustment. A series of historical factors which require obvious changes in our economic structure have appeared: Because the people are leading a better-off life, they are no longer satisfied with sufficient food and clothing but they need a richer variety of consumer goods to choose, and this requires that our industrial structure and product structure be adapted to this change by becoming more diverse; because a substantial part of the rural population is now shifted to various nonfarming industries, this will also inevitably lead to some major changes in the employment structure; meanwhile, the worldwide new technological revolution also require that we make prompt reactions in our technological and industrial policies. In short, we must make substantial improvements and changes in our industrial and production structures in order to maintain our existing markets and to open new markets.

All the above-mentioned factors require that we make prompt and [?farsighted] adjustment of our investment structure and our economic structure. The process and results of this adjustment will influence to a great degree the long-term situation and prospects of our national economic development in the new stage.

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CSO: 4006/37

ECONOMIC MANAGEMENT

GUANGDONG MOVES AGAINST LOSS-INCURRED ENTERPRISES

HK281428 Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 28 Aug 86

[Text] At the provincial telephone conference on turning losses into profits which was held last night, Vice Governor Kuang Ji urged the governments at all levels to strengthen their leadership and promptly put an end to the situation in which the number of loss-incurred industrial enterprises increases while that of profit-making ones decreases.

Since the beginning of this year, the economic results of the province's industrial production has not been satisfactory. Beginning in March, there developed in the province the situation in which the number of loss-incurred industrial enterprises increased while that of profit-making ones decreased.

Vice Governor Kuang Ji urged the governments at all levels to strengthen their leadership over the work of turning losses into profits, while organizing well the industrial production for the next 4 months of this year. They should implement the responsibility system of department heads and strive for achieving results. All city and prefectures that have a total loss amount of enterprises exceeding the maximum level must strive to reduce the losses as much as possible. Enterprises that have the conditions for turning losses into profits must get rid of the losses within a specific time. Households that suffer long-standing losses because of poor operation must be given bankruptcy warning. These households must turn losses into profits within a year or they will become bankrupt.

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CSO: 4006/37

ECONOMIC MANAGEMENT

GUANGXI ECONOMIC DELEGATION VISITS SHANGHAI

OW190842 Shanghai City Service in Mandarin 0100 GMT 18 Sep 86

[Text] Wei Chunshu, chairman of the Guangxi Zhuang Autonomous Regional People's Government, introduced Guangxi's economic situation to the economic and press circles of Shanghai at the municipal government mansion yesterday morning. He announced that Guangxi will further open its door and offer 10 preferential terms to continue promoting lateral economic cooperation with Shanghai so as to quicken the pace for its resource exploration and economic construction.

The economic delegation of the Guangxi Zhuang Autonomous Region, headed by Wei Chunshu, arrived in Shanghai on 12 September. On 16 September, Mayor Jiang Zemin met with members of the delegation. During its stay in Shanghai, the Guangxi economic delegation held discussions with Shanghai's departments, committees, and offices concerned on continuing to promote lateral economic cooperation between the two localities.

Wei Chunshu pointed out: In cooperating with fraternal provinces and municipalities, Guangxi's primary intent is to obtain funds to jointly develop nonferrous metals, subtropical resources, building materials and nonmetal resources; to jointly develop Beihai City, Fangcheng Harbor area, tourism, and partnership enterprises for producing mainly famous and superior products and export products; and to transform light industry, textile, and electronics enterprises.

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CSO: 4006/37

ECONOMIC MANAGEMENT

SECOND MEETING ON QINHUANGDAO ECONOMIC DEVELOPMENT HELD

SK291146 Shijiazhuang HEBEI RIBAO in Chinese 16 Aug 86 p 1

[Text] From 12 to 14 August, more than 40 responsible comrades of pertinent commissions, offices, departments, and bureaus at the provincial level, the Qinhuangdao City People's Government, and other departments concerned attended the second on-the-spot office meeting on Qinhuangdao City's economic and technological development held by the provincial government. The meeting helped Qinhuangdao City solve its practical problems in economic development through the forms of observation, hearings, investigation, and negotiation. Through discussions, the meeting solved problems for 23 capital construction and technological transformation projects, thus helping to accelerate the economic and technological development of Qinhuangdao City, giving full play to the role of the city as a window for opening to the outside world, and strengthening the city's economic strength.

Vice Governors Ye Liansong and Song Shuhua presided over the meeting. Li Feng, adviser to the provincial government, and Tan Hanhuai, staff member of the Special Economic Zones Office under the State Council, attended and addressed the meeting.

Being 1 of the 14 coastal port cities opened to the outside world, Qinhuangdao City occupies an important position in the economic and technological development of the country and the province. To accelerate the economic and technological development of Qinhuangdao City, the provincial government held an on-the-spot office meeting last August to set demands on the urban development and arranged for some projects. After more than 1 year of work, most of such projects have been developed in a fairly good and fast manner. A few of such projects have not been started due to problems concerning funds and other fields. At this meeting, participants first listened to the report by Gu Erxiong, mayor of Qinhuangdao City, on the work of opening the city to the outside world, on economic and technological development, and on the problems in need of others' help. At the meeting, Tan Hanhuai, staff member of the Special Economic Zones Office under the State Council, introduced the situation on the economic development of coastal cities and his opinions concerning the economic development of Qinhuangdao City. Then, the relevant departments and bureaus at the provincial level and the pertinent departments of Qinhuangdao City conducted an on-the-spot investigation, held talks with departments concerned, conducted study of special subjects, inspected and analyzed the problems existing in the items proposed by the first on-the-spot office meeting, and studied measures and steps for developing various projects. At the same time, they made arrangements for some new projects, and solved problems for the 23 projects crying for an immediate solution.

ECONOMIC MANAGEMENT

WUHAN STATE-OWNED FACTORY LEASED TO INDIVIDUALS

OW230100 Beijing XINHUA in English 0049 GMT 23 Aug 86

[Text] Wuhan, 23 Aug (XINHUA)--A state-owned factory in Wuhan, capital of Hubei Province, was leased to an individual this week, indicating that China is taking another bold step in its economic reform.

The aim is to improve the factory's management and raise economic efficiency, said Yu Zhiqiang, former deputy director of the factory who is leasing the Wuhan pen factory with 550 employees and a fixed asset of 2.5 million yuan.

According to a city government official, when a factory is leased to an individual, its management and the income distribution will be identical to those of a collective enterprise, but its ownership and the workers' status remain unchanged.

"As a result, workers appreciate this method because they will earn more if the factory is run well," the official said.

Wuhan is one of China's pilot cities undertaking economic reform and has the right to carry out various reform experiments.

The official said that the Wuhan pen factory is one of the eight small state-run factories in Wuhan being leased to individuals and collectives. The leasing period is 3 years.

These factories will assume sole responsibility for their profits or losses after handing over to the state taxes, rent, and a certain rate of profits settled by leaseholder and lessee.

Profits made by the Wuhan chemical machine plant with 550 employees have doubled in the year since it was leased to a board of 17 lessees on a trial basis in March last year.

The official said the city government plans to apply the leasing system to all of its 140 small state-run factories and carry out similar experiments in the medium-sized factories to boost production.

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CSO: 4020/14

ECONOMIC MANAGEMENT

JILIN: PROVINCIAL GOVERNMENT HOLDS ANTIDISASTER WORK MEETING

SK010726 Changchun Jilin Provincial Service in Mandarin 0930 GMT 31 Aug 86

[Text] On the morning of 30 August, the provincial government held an on-the-spot office meeting in Siping City to study the issues of further carrying out anti-disaster and production work through Siping City's own efforts.

In a speech given at the on-the-spot meeting, Governor Gao Dezhan stressed: At present, it is critical to combat disasters and carry out production through self-reliance. Cadres at all levels should have a high sense of urgency, exert all-out efforts to grasp the work, foster an ideology of carrying out production through self-reliance and working hard, take initiative in working out plans to overcome difficulties, concentrate efforts on grasping the people's livelihood and production in the disaster-afflicted areas, and ensure that all disaster victims have food, accommodations, clothing, vegetables, firewood, and medical treatment. At present, stress should be given to solving housing problems. Housing should be arranged under a unified plan and at different times according to the complexity of each case. All housing problems should be solved by early October. In carrying out production through self-reliance, we should ensure that there are production plans for this year and production arrangements for next year. We should repair all projects damaged by flood, make early arrangements for this year's projects, formulate plans for next year's projects and draft plans for the long-term, and strive to restore production to the level of before the disasters so as to ensure next year's production.

While carrying out production through self-reliance, it is necessary to strengthen leadership over the work, establish an anti-disaster responsibility system, strengthen ideological and political work, attend to propaganda and education work, and integrate the work of carrying out production through self-reliance with that of promoting spiritual civilization. We should strengthen management over the relief funds and materials and distribute them to the people rationally.

Comrade Gao Dezhan also went to the disaster-afflicted areas in Shuangliao and Lishu Counties to send regards to the disaster-afflicted masses.

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CSO: 4006/36

ECONOMIC MANAGEMENT

NEI MONGGOL OFFICIAL ON INVIGORATING INDUSTRIAL PRODUCTION

SK290311 Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 28 Aug 86

[Excerpt] Recently, (Zhang Hangong), vice chairman of the region and secretary of the Baotou City Party Committee, spoke about three opinions on how to further invigorate industrial production and achieve still better economic results.

1. We should adopt various methods to increase the flexible portion of income of workers and staff members. Comrade (Zhang Hangong) said: Thanks to comprehensive wage reform carried out this year, most workers and staff members have had their wages increased and yielded material benefit from it. However, some problems have also emerged. A major indicator is that the fixed portion of wages to workers and staff members has increased, but the flexible portion, which can reflect the principle of more pay for more work, has reduced. This has brought back the defects of egalitarianism and the practice of eating from a common big pot, which had already been eliminated during the course of carrying out economic structural reform. This also prevents us from mobilizing the initiative of workers and staff members and from further developing enterprises. Therefore, Comrade (Zhang Hangong) called on all industrial, commercial, agricultural, and livestock enterprises in Baotou City to adopt various measures to increase the flexible portion of wages to workers and staff members. This should be conducted in line with the specific conditions and real situation of each enterprise, rather than seeking one model and uniformity.

2. Factory directors or managers are top leaders of enterprises. Comrade (Zhang Hangong) pointed out: It is necessary to reaffirm the past concept that one enterprise should not have two top leaders. It means that every industrial, commercial, agricultural, or livestock enterprise should have only one top leader--either factory director or manager. Because we institute the system of factory directors designated to undertake responsibility, factory directors or managers represent their enterprises as legal persons. When an enterprise is punished for causing problems, its director or manager should receive 60 percent of the punishment, and its party secretary 40 percent. In receiving commendation and awards, the same method should be adopted. Factory directors or managers must be entitled to exercise the right to appoint and remove cadres and to nominate deputy directors or managers. This cannot be changed. When exercising these rights and making decisions for other major issues, factory directors or managers should be adept at hearing the opinions of party committees, but they should be entitled to have the final say in deciding whether

or not to receive the different opinions of party committees. Practice shows that drawbacks outnumber benefits when an enterprise has two top leaders. Therefore, enterprises should introduce the system under which director, manager, or party secretary assumes full responsibility. Medium-sized and small enterprises in particular should introduce this system all the more.

3. Unsalable products must not be produced any more.

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CS0: 4006/37

ECONOMIC MANAGEMENT

NEI MONGGOL CALLS FOR CURTAILED SPENDING

SK230339 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 22 Sep 86

[Text] The autonomous region recently held a conference on financial and tax work and on exchanging the experience gained in developing the economy. The conference emphatically point out that various localities and departments should concentrate on increasing income and saving expenditures to ensure a balance between regional revenue and spending this year.

Bu He, chairman of the autonomous regional People's Government, attended and addressed the conference.

At the conference Liu Zuohui, vice chairman of the regional People's Government delivered a report on the region's current situation with regard to the economy and issues of financial affairs.

In his report, Vice Chairman Liu Zuohui stated: Since the beginning of 1986, the financial and tax departments at all levels throughout the region have basically maintained a normal balance between financial revenue and spending thanks to actively supporting the development of production undertaken by the industrial and commerical enterprises, expanding commodity circulation, vigorously organizing revenue, and strictly curtailing expenditures. However, there are some problems that brook no ignorance. Agricultural and animal husbandry production has been adversely affected by the greater natural disaster this year. The region will not only incur a decrease in output and income, but also an increase in spending to combat the disaster and conduct disaster relief. In addition, economic results scored by the enterprises have been poor and the factor of decreasing revenue and increasing expenditures in other fields has cropped up. All of these have aggravated the difficulty in maintaining a balance between revenue and spending in the budget. Therefore, it is hoped that the governments at all levels should attach great importance to financial questions.

In his report, Liu Zuohui, vice chairman of the regional People's Government, urged governments at all levels and departments throughout the region to unify their thinking, to share the state's cares and burdens, and to do a good job in maintaining a balance between their own revenue and spending to ensure a balance between the regional financial revenue and spending this year. Efforts should be made to uphold the principle of keeping spending within the limits of revenue

and the guideline of paying attention simultaneously to broadening sources of income and reducing expenditures. Attention should be paid not only to widely broadening sources of income and making efforts to increase income, but also to making a reasonable arrangement for cutting expenditures and increasing income. Various localities and departments should concentrate on enlivening enterprises and implementing the economic responsibility system in a down-to-earth manner, and should do a good job in grasping production and expending commodity circulation to ensure the steady and stable development of the economy. Based on increasing income earned from increased output, efforts should be made to vigorously organize income.

In his report, Vice Chairman Liu Zuohui stressed: Our current task is to vigorously launch the activities of cutting expenditures. Various localities and departments should earnestly implement the emergency circulars issued by the State Council and the autonomous region concerning vigorously grasping the task of increasing revenue and cutting expenditures, and made efforts to fulfill the target set for revenue and cutting expenditures. Efforts should be made to strictly bring under control the scope of investments in projects of capital construction. Projects that have been arranged should be earnestly examined and those that deserve to be cancelled or suspended should be cancelled or suspended immediately. We should make continuous efforts to strictly bring under control the social institutional power to purchase and adopt all ways and means to ensure a balance between financial revenue and spending this year.

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ECONOMIC MANAGEMENT

SHANGHAI SYMPOSIUM VIEWS STATE OWNERSHIP REFORM

HK020600 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1205 GMT 1 Sep 86

[Report: "A Shanghai Symposium on Ownership Reform Believes That the Key Lies in Reform of the State Ownership System"]

[Text] Shanghai, 1 September (ZHONGGUO TONGXUN SHE)--The Propaganda Department of the Shanghai Municipal CPC Committee and the Shanghai Federation of Workers in Social Sciences held a joint symposium on reforming the ownership system of the means of production. The participants pointed out that the key lies in reform of the state ownership system (ownership by the whole people). However, most participants were of the opinion that the state ownership system should not be negated but perfected instead.

It was reported that the participants discussed three different plans. The first plan is to perfect the state ownership system through economic structural reform so that ownership rights and operational rights are to a certain extent separate, according to different situation in enterprises. For example, some enterprises will be run by the state, more enterprises will be operated by themselves, and small enterprises will be leased or contracted out. On the one hand, this reform plan recommends retaining certain state ownership. On the other, it suggests that enterprises should assume sole responsibility for their own losses or profits, because they have independent operational rights.

The second plan is to change ownership by the whole people into ownership by enterprises, the theoretical basis being that under the state ownership system, the initiative of producers cannot be brought into play, labor productivity is low, and economic results are not good. Therefore, ownership reform should be aimed at turning ownership by the whole people into ownership by enterprises, so that enterprises can operate on their own and assume sole responsibility for their losses or profits. Whereas the function of the state will be to carry out regulation by means of economic levers so that enterprises' activities are kept within a rational scope.

The third plan is to substitute the stock share ownership system for the state ownership system. In other words, some of the fixed assets of enterprises under ownership by the whole people are transferred to enterprises by assessing their prices and allowing staff members and workers to buy shares. The state will set up share control companies. In this way, an enterprise mode will be formed

in which the state, the enterprise, and the laborer will jointly run enterprises. This plan will not change the nature of the state ownership system but will help form a new type of socialist state ownership.

Many participants maintained that although the first plan has some shortcomings, it is more workable than the other two in the present period, because it can prevent social and economic turbulence brought about by ownership structural reform. Although the second plan will help increase enterprises' vitality, the ownership system under this plan determines that the state can only give guidance to economic activities. This, in essence, denies the state's planning function and is very far from the target of China's reform of the commodity economy. The implementation of the third plan relies on external conditions, some of which are not easily obtainable. For example, the full development of the commodity economy, the establishment of a money market system, the perfecting of economic law, and the formation of a monetary management contingent can only be realized in the distant future. Therefore, the stock share ownership system can be trial-implemented on a long-term basis in some regions and individual enterprises.

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ECONOMIC MANAGEMENT

SHANXI RIBAO ARTICLE ON SUPPORTING REFORM

HK101329 Taiyuan SHANXI RIBAO in Chinese 22 Aug 86 pp 1-2

[Article by Wang Senhao [3769 2773 3185]: "Support and Protect Reform; Strengthen Enterprise Vitality"]

[Text] At present, the urban economic reform in our province is being deepened. Various areas have taken reform as a top priority task. Main leading cadres have gone deep into the midst of basic levels to see to the firm implementation of "the 35 articles." They have worked on the spot helping with the solution of problems. Some units and departments that have performed relatively well have boasted of lots of new experiences and new creations. They are full of life and vitality, presenting a very gratifying situation. But in reform, many problems also exist. Among them are problems of awareness and those relating to actual work. They call for immediate solution.

The Focus of Reform is the Strengthening of Enterprise Vitality

As far as awareness is concerned, there is the need at present to further clarify that the strengthening of enterprise vitality is the center of the economic reform. Our province's "35 articles" is known as "the implementation program for economic reform with the strengthening of enterprise vitality as its focus." But this fundamental point has so far not been understood by some comrades. The provincial government recently received reports from various departments and bureaus and various areas on the situation of how "the 35 articles" have been enforced. Some of the reports did not give serious answers on whether the vitality of the enterprises under them had been strengthened in the past year and a half. Some mentioned not a word about the strengthening of enterprise vitality. This shows that the leadership of some departments does not have a clear idea on things. In considering or raising problems, the leading comrades of some economic work departments do not proceed from the strengthening of enterprise vitality but from the upholding of departmental interests or the upholding of the interests of given organs. This means they do not speak for enterprises and do not devise ways and means and work hard to strengthen enterprise vitality. Instead they lay one-sided emphasis on studying how the interests of departments or organs are being affected. Some departments complain that the delegation of power to enterprises under "the 35 articles" has created "difficulties" of all kinds for the work of departments. They demand that the power handed down be taken back. This

fully shows that these comrades are wrong as far as the angle, the starting point, and the focus in viewing problems are concerned. They are motivated not by a desire to strengthen enterprise vitality, but by the interests of departments and organs.

We must realize that the strengthening of enterprise vitality is the focal and the essence of reform and also the main factor deciding the success or failure of reform. As pointed out in the decision of the 3d Plenary Session of the 11th CPC Central Committee: "Socialism with Chinese characteristics should first of all be socialism with enterprises full of vitality." Enterprises are the cells of the national economy. Without vitality in enterprises, the economy as a whole will have no vitality. The objective of struggle defined at the 12th National CPC Congress then cannot be realized. It is held that the strengthening of enterprise vitality represents the whole situation in reform. In judging whether a reform measure is correct or not, we must first see whether it helps in strengthening enterprise vitality. Whether the implementation of "the 35 articles" is a success or failure must also be judged by using enterprises vitality as a yardstick. When we say that government organs serve basic levels, we mean they serve the strengthening of enterprise vitality. In a departure from this point, government organs' work will be stripped of their objective, essence and direction, and will surely not be handled well. Whether views and ideas from all sides are right or wrong must be judged by whether they are favorable or unfavorable to strengthening enterprise vitality. Those that are favorable should be listened to; those that are unfavorable, and thus incompatible with the spirit of the 3d Plenary Session of the 11th CPC Central Committee, cannot be listened to. In sum, we must clearly foster the idea that calls for strengthening enterprise vitality. There can no longer be confusion, doubt, or vacillation.

We Must Support and Protect Reform with a Clearcut Banner Raised

Recently we have heard of many cases where legitimate operations are treated as unhealthy practices or investigated and handled as economic crimes. This has interfered with the normal production and operations of enterprises and caused a drop in production. Such a situation has happened for the following four reasons: First, the line between legitimate operations of enterprises and unhealthy practices is ill-defined. Second, some comrades still have the remnants of "Leftist" thinking. For example, some areas send work groups to investigate cases, with some ways formerly applied to campaigns still in use. Third, bureaucratism is still at work. Without getting at the actual state of things, some people, upon learning that there is a problem, rush to send someone over to make an investigation--instead of first making an analysis or study. Fourth, some areas are still disturbed by factionalism. People take advantage of the investigation of cases to hurt others and to seek revenge. In so doing, they make a point of creating a state of confusion.

Reform is a major event bearing on the future and destiny of the state. Without reform, there is no hope for our cause. Each communist party member and leading comrade should show concern and support for reform, protecting activists in reform. When the latter are subject to censure or condemnation, we must have a clearcut banner and a firm attitude in support of reformists, resolutely protecting those people who contribute reform.

To support and protect reform, we must correctly distinguish between the legitimate operations of enterprises and unhealthy practices. Unhealthy practices must be rectified. To rectify unhealthy practices is to protect reform and stimulate production. The rectification of unhealthy practices and the effort to crack down on criminal activities in the economic field should be combined with the stimulation of production and the protection of reform. It should be noted that with the deepening of the economic reform, enterprises have switched over from a product economy to a planned commodity economy. With the gradual enlargement of the scope of guiding plans and the market as a regulating factor, enterprises must purchase their own needed raw materials and promote their own products. In line with the principle of necessity and economy, it is normal for enterprises in their operations to allocate some money for entertainment fees. Especially in regard to town and township enterprises and secondary industry enterprises that depend largely or wholly on the market as a regulating factor in procuring raw materials and promoting products, a more liberalized approach should be taken. In "the 35 articles," the provincial Party Committee and the provincial government clearly stipulated that enterprises can claim a given amount of money for the business expenses of a factory director. This is right and proper and should not be treated as an unhealthy practice. In the switchover from purely producing to producing and operating units, enterprises have taken on more work in regard to purchase and sales matters. In a certain sense, it can be said that the salesmen are the "gods of wealth" in a given enterprise and the eyes of the factory director. The more developed the commodity economy, the more important the role of salesmen. To give full play to the enthusiasm of salesmen, we may allow salesmen a given sum for business expenses or adopt the method of putting purchases and sales on a contract basis, properly linking the fulfillment of enterprise procurement and sales assignments with purchasing and sales personnel's income. These practices have been tested and proved effective. They should be affirmed. Where there is room for improvement and perfection, we should seek further improvement and perfection. We should not treat them as unhealthy practices.

Reform is a very complicated and arduous undertaking. People at all levels, high and low, lack experience. Some policies are not clearly defined where lines of division are concerned. There is a need for exploration in practice. Given such a situation, certain mistakes are inevitable in reform. So long as it is not a violation of law and discipline, not corruption or theft, and not an act prompted by the interests of a given enterprise that causes the state a heavy loss, and so long as it is motivated by reform and the aim of running an enterprise well, a mistake that happens should not be made much of. Instead, prompted by the aim of protecting reform, we should protect cadres and help them in summing up experiences, drawing lessons, and making continuous progress. We should also share the blame as far as certain problems are concerned. We must allow people to make mistakes in reform. We must support continuous reform after the correction of mistakes. We must not be obsessed with a mistake, clinging to it and making an endless investigation. This will end up only in dampening the enthusiasm for reform.

Reform involves the readjustment of economic interests and will inevitably affect the interests of certain people. Some people want to rise in resistance, make accusations, and even slander and victimize those people who dare to make

reforms. If such a situation should arise, leadership organs and leading cadres at all levels must come forward in support of reformists with a clear-cut banner hoisted--criticizing those ideas running counter to revolution and punishing according to law those people that victimize reformists. On major issues, right or wrong, in reform, leaders' attitude must be clearcut. Given no distinction between right and wrong and an ambiguous attitude, evil practices cannot be overcome and healthy practices cannot be promoted.

Where some people make accusations and write things that seek to make revelation, we should take a correct approach. On the one hand, where violations of party discipline and state laws are found, it is right and proper for the judicial departments and the discipline inspection departments to make investigations. Those units under investigation must observe laws and discipline, providing factual information and not refusing to do so for no reason. For auditing organs to audit and control the financial affairs of enterprises in regard to receipts and expenditures is a function that the constitution vests in them. It must be respected. No organ or organization and no individual can intervene. A bonafide revolutionary motivated by public interests in all matters is unafraid of an investigation of work. If any problem is found, it should be quickly taken care of in line with the rules of party discipline and state laws. This can do only good for reform. The discovery of any loophole in operations is also a stimulus for the improvement of enterprise management. On the other hand, in starting investigations after the receipt of complaints or accusations, the judicial, discipline inspection, and other departments must make a point of doing their work in the most satisfactory manner. They must first make an analysis of the complaints. Those that bring accusations that are not based on facts or that have contents that are strange and obviously incompatible with facts and contrary to logic may be left alone without an investigation. Some problems may be first referred to a higher level department in charge so that the latter can give some opinions. Concerning those cases that must be investigated, we must adopt proper methods. We must refrain from organizing excessively large work teams and from doing things along the lines of a campaign being launched, as in the past. Investigation personnel must play fair and square and show no bias. They must be on guard against the intervention of factionalism and must not let people still involved with factionalism have a hand in handling cases. In investigating cases, they must take up major issues and not get entangled with minor problems. The time spent on an investigation must not be drawn out too long. In investigating cases, there must be attention to stimulating reform and production and investigations must never interfere with reform and hamper production. If an investigation should result in reform being thwarted, production being hampered, and an enterprise going under, that will not be good. With the proper handling of problems, the investigation of cases and reform will become unified. The aim of cracking down on crimes and rectifying unhealthy practices can thus be attained. Support for reform, protection of reform, and the stimulation of the development of production can also be brought about.

In Firmly Carrying Out "35 Articles" We Must Pay Attention to Six Important Points

In firmly carrying out "the 35 articles" and relevant supplementary stipulations at present, three kinds of situations exist: First, some stipulations

have already been firmly or basically carried out. Second, some stipulations have still not been firmly carried out. Third, some stipulations involving the reform of the system of the state as a whole are temporarily incapable of being put into practice. Our aim is to strive for the firm implementation of the main stipulations in "the 35 articles" within this year. To this end, we must emphasize on the proper solution of six problems:

1. We must firmly and unswervingly introduce and perfect the factory director (manager) responsibility system.

In the first half of this year, after a period of discussion, everyone had a clearer idea of the factory director responsibility system than before and tended to be more unified. In the remaining 5 months of this year, we must carry the implementation of the factory director (manager) system a step further. It must be implemented by not only large and medium industrial and commercial enterprises, but also by small state enterprises and collective enterprises. Factory directors (managers) must have the power to exercise unified leadership over given enterprises in regard to production controls, and operations, and management, and have the power to decide on major enterprise issues and the power to hire and fire people, as stipulated in "the 35 articles." The responsibility system with set goals during the term of office must also be introduced.

2. We must perfect the economic responsibility system in an enterprise in a down-to-earth manner. The various versions of the economic responsibility system introduced in the past few years of reform by many enterprises have been tested and proved effective and should be affirmed. Since the overall revision of enterprise wages last year, the introduction of the economic responsibility system in some enterprises has been relaxed. Such a system must be restored and continuously perfected. With the amount of 7.5 yuan [as published] based on revised enterprise wages incorporated in costs, bonuses have been appropriately increased, thus creating conditions for the proper introduction of the economic responsibility system. The economic responsibility system must be stabilized and consolidated and must not be allowed to give way to any new situation that occurs. Meanwhile, the provisions on bonuses for the economical use of raw materials in the supplementary stipulations of "35 articles" must be firmly carried out as soon as possible.

3. We must energetically develop extensive economic integration.

The existing departments and bureaus or companies in charge of enterprises are afraid that integration between the enterprises under them and those of other areas and systems will cause a reduction in output value, profits, and taxes, as far as their own system is concerned. They, therefore, do not encourage or support extensive integration and even impose restrictions. This is wrong. Practice shows that integration produces results and generates new productivity. Integration is a new path that benefits the state and brings prosperity to the people. Various areas and departments must strengthen leadership over extensive economic integration and sum up and popularize useful experiences. They must respect an enterprise's decisionmaking power where extensive integration is concerned. They must guide enterprises in introducing various patterns of

integration centering on the needs of our province's macroeconomic development. This year we must achieve still greater progress in this respect.

4. We must continuously liberalize and enliven collective enterprises and small state industrial and commercial enterprises. Various areas must vigorously seek the firm implementation and realization of reform measures for collective enterprises as embodied in "the 35 articles." They must enable collective enterprises to be more liberalized than state enterprises. The decisionmaking power granted to collective enterprises cannot be detracted from or taken back by any department. Small state industrial and commercial enterprises can run collective operations owned by the state and can also introduce operations on a rental or contract basis. After the switchover from small state enterprises to collective operations, we must introduce methods applied to collective enterprises and cannot resort to the methods applied to state enterprises.

5. We must properly handle the reform of the labor system in an energetic and proper manner.

The introduction of the labor system in keeping with state stipulations is an important task in the second half of this year. We must very properly organize cadres and workers to seriously study reform documents and to acquire a deep understanding of its significance, unify thinking, and raise awareness. Meanwhile, we must seriously make proper preparations for reform, pay close attention to the study and firm implementation of various relevant policies and measures as parts of the whole, formulate detailed implementation rules, do a good job of training cadres, and handle this reform well in an energetic and satisfactory manner.

6. We must uphold the delegation of power. Central cities must achieve a breakthrough in reforming the economic management system. Two years ago we transferred a number of enterprises to central cities. Another group of enterprises will be transferred down there before long. Transferring enterprises down there is not an end in itself. The real aim is the invigoration of enterprises. If, for a transferred enterprise, the old management system and ways of management are not reformed, with control only passing from a department an organ, then there is no meaning. Central cities must simplify administration and delegate power, energetically cut down on intermediate levels, and change the present situation marked by numerous levels and overlapping organs. Administrative companies must be further seriously reorganized in line with enterprise needs, they must be transformed into economic entities or service companies. Otherwise they should be abolished. According to stipulations in the party constitution, party groups should be set up in regional state organs and economic organizations. Therefore, bureaus and companies should have no party committees in them. They can have party groups established. The party organizations of those enterprises under them can be brought under the leadership of old regional party committees. We hope that various central cities can make a start in reforming the management system in the second half of the year. Various departments directly under the province must also further change their functions and serve enterprises still better.

The above six important points are being taken up as far as the whole province is concerned. When put into concrete practice in various departments, they should vary in emphasis with different conditions. In the remaining 5 months of this year, through serious and hard work, we must enable the main stipulations in "the 35 articles" to be carried out on a firm basis. This will lay a good foundation for a big step forward in the reform next year.

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ECONOMIC MANAGEMENT

SHANXI CITIES DEVELOP LATERAL ECONOMIC TIES

HK230133 Taiyuan Shanxi Provincial Service in Mandarin 2200 GMT 22 Aug 86

[Text] Five Shanxi cities whose industrial output value accounts for over 60 percent of the province's total are currently breaking down the barriers of administrative regions and distance and developing lateral economic ties to invigorate the province's economy. This is what happened at the first annual meeting of the joint conference of the five cities, which was held in Datong from 19 to 22 August.

At the provincial meeting of prefectural and city party committee secretaries and mayors held in mid-June, the Taiyuan, Changzhi, Yangquan, Yuncheng, and Datong city party committee secretaries and mayors felt that each key city in the province has its strong points, and so long as links are strengthened and each learns from the strong points of the others to offset its own weakness, this will play an important role in invigorating the economy of the whole province as well as helping to develop the economy of the cities concerned. After full consultation, the principal leaders of the five cities decided to establish a five-city joint conference, on the basis of voluntariness. Such a conference can facilitate the establishment of counterpart economic ties between the economic departments and enterprises in the five cities.

During the annual meeting, agreements were reached on learning the strong points of others to offset the weak points of each, taking advantage of strong points, providing counterpart support, and stepping up cooperation.

Provincial Party Committee Secretary Li Ligong and Governor Wang Senhao have agreed with and supported this method of carrying out economic cooperation by means of the joint conference. They have demanded that this work be done well, as a contribution to invigorating Shanxi's economy.

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CSO: 4006/37

TIANJIN: LI RUIHUAN URGES MORE SUGGESTIONS FROM PRODUCERS

SK110342 Tianjin TIANJIN RIBAO in Chinese 29 Aug 86 p 1

[Text] On 28 August Li Ruihuan, mayor of the municipality, delivered a speech at the forum sponsored by the municipal Trade Union Council with the participation of advanced figures who have been outstanding in making suggestions and contributions. In his speech he stressed that the key to maintaining the excellent situation in the municipality lies in leading personnel at all levels paying attention to the affairs of their subordinate units, respecting producers, learning modestly from the producers, and whipping up an upsurge in activities of making suggestions to rejuvenate the economy in the municipality.

Yesterday's forum was held in a lively atmosphere. After hearing the introduction made by the responsible comrade of the municipal Trade Union Council about the 12 representatives attending the forum, who had scored marked achievements in making suggestions and contributions, Mayor Li Ruihuan cordially stated: I was also promoted from among the workers and attended to trade union work, which is of important significance. Today's forum is aimed at hearing the voices raised by personnel from grassroots-level units. It is hoped that representatives attending the forum will make many favorable suggestions to rejuvenate industrial production in the municipality by bearing in mind the actual situation of their enterprises.

After earnestly hearing the opinions voiced by the representatives at the forum, Mayor Li Ruihuan happily stated: I have been so inspired and educated by the opinions raised at this forum. The spirit displayed by the representatives in being masters of the country, sharing the state's cares and burdens, and making efforts to build the four modernizations is very valuable. The current situation in the municipality is fine, and we should treasure it. However, there also exist many difficulties. Although the municipality has scored achievements in industrial production and financial revenues since the beginning of 1986, they are not very ideal. We should be aware of this phenomena, reveal our wisdom, and heighten our spirit in offering ways and means to overcome the difficulties and to develop the economy.

Mayor Li Ruihuan emphatically pointed out: Efforts should be made to conduct extensive and in-depth activities of making suggestions and contributions among workers and staff members throughout the municipality. Leading personnel at all levels should take personal charge of this work and enthusiastically

support the creative activities of the masses. A wise leader should not be wiser than others in all fields, but should be able to bring into play the intelligence and wisdom of the majority of people. The most fundamental experience summed up from the work achievements scored by the municipality over the past few years is now to arouse the enthusiasm of the vast number of people to the fullest extent and how to give free rein to enthusiasm in a reasonable way. The fundamental purpose of conducting reforms is to achieve development among the productive forces. Thus, respecting the opinions of producers and bringing into play the initiative, creativeness, and enthusiasm of producers should be the central issue of conducting reforms and studying economic questions. He urged leading cadres at all levels to improve their workstyle and to go to grassroots-level units and the forefront of production to solicit ways and means from the workers and staff members in order to enable more and favorable suggestions to spring up like mushrooms.

Attending the forum were Zhang Lichang, vice mayor of the municipality; Huang Yanzhi, secretary general of the municipal People's Government; and responsible comrades from the municipal Economic Commission and the municipal Trade Union Council.

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ECONOMIC MANAGEMENT

YUNNAN DEVELOPS CAPITAL CONSTRUCTION INVESTMENT

HK240207 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 22 Sep 86

[Excerpts] From January to July this year, the province has achieved marked results from capital construction investment. The province's capital construction investment during this period increased by 18.4 percent over the same period last year. The province's fixed assets use rate increased by 10 percent over the same period last year. Rapid development has been achieved in the priority construction projects. Investment made by the province in 39 priority construction projects accounted for 49 percent of the annual plan.

After examination and consolidation, the province's capital construction front stopped or delayed a number of redevelopment projects during the Sixth 5-Year Plan. This curbed the trend of expanding the amount of capital construction investment and ensured the construction of priority projects. The pace of construction in the energy, communications, coal, and power industries has quickened remarkably, thus laying a good foundation for the fulfillment of the Seventh 5-Year Plan.

It must be pointed out that there is now a trend of excessive expansion in the amount of capital construction in the province. The main reason for this is the failure to control extrabudgetary capital construction investment. All localities and departments must strengthen control over the amount of capital construction. Meanwhile, they must strengthen management of the building industry and building materials markets, and swiftly change the situation of poor management, serious waste, and inferior quality.

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ECONOMIC MANAGEMENT

BRIEFS

XINJIANG ECONOMIC REFORM COMMISSION--In order to strengthen the leadership of the economic structural reform, the regional party committee and people's government have decided to establish a regional commission for economic structural reform, which will be responsible for studying and planning in a centralized way the region's work of economic structural reform; solving problems concerning principles, policies and other major issues of the work; and exercising guidance over various tasks of reforming. Jin Yunhui, vice chairman of the regional People's Government, has also been appointed chairman of the regional Commission of Economic Structural Reform. (Tu Yongguang), Duan Zhengping, Liu Zonghao and Makemutishatier have been appointed vice chairmen of the regional commission. [Text] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 17 Sep 86 HK] /12232

QINGHAI POWER CONSUMPTION CIRCULAR--To lighten the impact on industrial production caused by a shortfall in power supplies during the period when the Longyangxia reservoir is filling up and to ensure the fulfillment of this year's industrial production plans, the provincial Financial and Economic Commission recently transmitted a circular from the provincial office for the planned, economical, and safe use of electricity outlining arrangements for planned consumption of electricity at present. The circular demands that, before the Longyangxia reservoir starts to fill, all industrial enterprises do a good job in organizing production and consuming more electric power in a bid to fulfill ahead of schedule the production tasks for November and December. [Excerpts] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 18 Sep 86 HK] /12232

SHANDONG URGES INVESTMENTS CONTROL--The provincial Discipline Inspection Commission recently issued a circular, urging various localities throughout the province to earnestly conduct an examination of investments in fixed assets and in reconstruction projects. The circular urges various cities, prefectures, and the departments concerned to immediately conduct an earnest examination of the projects within or outside the plans that are under construction, to assign priority to them in terms of importance and urgency, to learn about the real situation, and to deal with them properly. The projects outside the plans, whose funds are not totally raised or are raised illegally, and whose economic result has proven to be poor, should be resolutely suspended. The nonproductive projects that are under construction should also be partly suspended in line with the order of importance and urgency. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Sep 86 SK] /12232

GUANGXI LATERAL ECONOMIC TIES--Guangxi has scored marked results in promoting lateral economic ties and cooperation. According to incomplete statistics, last year the region was involved in 1,290 lateral economic tie and cooperation projects, of which 167 have now been put into effect. These new projects have produced 128 million yuan in output value and 36 million yuan in tax and profits. This year the region has signed contracts or agreements for 712 lateral economic tie and cooperation projects, of which 516 have been or are now being put into effect. These new projects can produce 92.63 million yuan in output value and 20.96 million yuan in tax and profit. Through lateral economic ties, the region has sent 6,300 personnel to be trained in other parts of China in recent years. In addition, the regional departments concerned have invited 1,900 experts, scholars, engineers, technicians, and craftsmen from elsewhere to come and pass on their skills or give lectures. [Excerpts]
[Nanning Guangxi Regional Service in Mandarin 1100 GMT 24 Sep 86 HK] /12232

CSO: 4006/37

FINANCE AND BANKING

PROVISIONAL REGULATIONS ON RESIDENTIAL PROPERTY TAX

OW261109 Beijing XINHUA Domestic Service in Chinese 0027 GMT 25 Sep 86

[Text] Beijing, 25 September (XINHUA)--Provisional Regulations of the People's Republic of China Governing House Property Tax

(Promulgated by the State Council on 15 September 1986)

Article 1. House property tax is levied in cities, county seats, towns with administrative system [jian zhi zhen 1696 0455 6966], and industrial and mining districts.

Article 2. House property tax is paid by the owner of the property. If the property is owned by the state, the tax will be paid by the unit that operates or administers the property. If the property has been pawned, the pawnee shall pay the tax. If the owner of the property or the pawnee does not reside at the property, or if the property right has not been determined, or if any disputes over the leasing or the pawning of the property have not been settled, the tax shall be borne by the agent or the user of the property.

The owner of the property, the operating or administrative unit, the pawnee, and the house property agent or user mentioned in the preceding paragraph are all called tax obligors (hereafter simply referred to as taxpayers).

Article 3. House property tax is assessed and paid on the basis of the property's remaining value--the value after 10 to 30 percent of the property's original value has been deducted. Specific amounts of the deduction will be determined by the people's governments of provinces, autonomous regions, and municipalities directly under the central government.

If the original value of a house property is unavailable for the assessment, its value will be determined according to the value of a similar house property by the taxation organ in the locality where the house property is located.

In case the house property has been leased out, its rent should serve as the basis for assessing the house property tax.

Article 4. If house property tax is paid according to the property's remaining value, the tax rate is 1.2 percent; if it is paid according to its rent, the tax rate is 12 percent.

Article 5. The following house properties are tax exempted:

1. House property being used by state organs, mass organizations, and the armed forces;
2. House property being used by institutions financed with funds appropriated by the state's financial departments;
3. House property used as shrines, temples, parks, and historical sites;
4. Individually-owned house property for nonbusiness use;
5. Other tax-exempted house property approved by the Ministry of Finance.

Article 6. Aside from those prescribed in Article 5, taxpayers who really have difficulty paying house property tax may have their taxes deducted for a certain period, or exempted, provided their difficulty has been verified by the people's governments of their provinces, autonomous regions, or municipalities directly under the central government.

Article 7. House property tax is collected annually, and paid by installments. The allotted time for paying the tax will be determined by people's governments of provinces, autonomous regions, and municipalities directly under the central government.

Article 8. The collection and management of house property tax will be handled according to the "provisional Regulations of the People's Republic of China Governing the Collection and Management of Taxes."

Article 9. House property tax is collected by the taxation organ of the locality where the house property is located.

Article 10. The Ministry of Finance is responsible for the interpretation of these regulations; the detailed rules for their implementation will be drawn up by people's governments of provinces, autonomous regions, and municipalities directly under the central government, and a duplicate of the rules will be sent to the Ministry of Finance for the record.

Article 11. These regulations become effective on 1 October 1986.

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FINANCE AND BANKING

HEBEI FINANCIAL, TAX WORK CONFERENCE ENDS

SK241309 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 11 Sep 86

[Text] It was pointed out at a recent provincial financial and tax work conference that the present provincial financial and economic situation is good. On the basis of increasing revenue over 3 successive years, the province's financial revenue has continued to increase this year. Financial expenditures have been comparatively normal. However, there are also some problems which we must not ignore. In the next few months, the guidelines for the financial and tax work should be as follows: we should continue to organize revenue and strive to fulfill the revenue task. Revenue should be realistic and not exaggerated. Localities which have favorable conditions for overfulfilling the revenue plan should strive to do so. Expenditures should be rationally arranged, and efforts should be made to keep expenditures within the limits of revenue.

The conference called on governments at all levels and the various financial and tax departments to further correct their ideology of managing money affairs, and properly handle the dialectical relations in some aspects--in terms of financial distribution, the relationships between unified management and decentralized management, between input and output, and between budgetary funds and nonbudgetary funds.

The conference stressed: Our province's financial situation is improving continuously. This has resulted from the industrious efforts of the broad masses of staffs and workers on the financial and taxation front.

All localities should ensure the fulfillment of the financial revenue appraisal target. The fulfillment of financial revenue targets of the nine cities under the jurisdiction of the provincial government has a vital bearing on the entire province. Leaders of all cities should pay attention to this issue and ensure the fulfillment of the financial revenue task.

Xie Feng, deputy secretary of the provincial Party Committee and governor, gave a speech on the province's current financial situation and tasks at the conference.

While touching on the financial revenue appraisal target defined at the conference, Xie Feng said: this is our bounden duty to the central authorities and a guarantee for our province's normal economic development. If we fail to fulfill

the revenue task, it will be difficult for us to guarantee expenditures. It will affect not only this year's economic development but next year's as well.

In his speech, Xie Feng stressed: The financial and taxation departments at all levels should be sober-minded, and should ensure the fulfillment of the annual financial revenue task.

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CSO: 4006/36

FINANCE AND BANKING

JIANGSU FACTORIES ISSUE HIGH INTEREST BONDS

OW241126 Beijing XINHUA in English 0954 GMT 24 Sep 86

[Text] Nanjing, 24 Sep (XINHUA)--Two Nanjing factories have issued "high interest" bonds as part of the ongoing financial reform, a financial official said here today.

The Nanjing number two machine tool plant and the Nanjing turbogenerator manufacturer, both in the capital of east China's Jiangsu Province, together sold bonds valued at 2.19 million yuan (U.S. \$592,000) to supplement production costs and provide high returns for investors.

Interest rates to be paid to bondholders are up to 51 percent higher than rates for loans at the city's industrial and commercial bank.

Since 1949 all loans have been provided by state banks with fixed interest rates. Individuals were not permitted direct involvement in enterprises' economic activities by buying bonds, the official said.

"The new practice is part of the new financial reform, and is designed to supplement bank loans insufficient to meet factories' needs," he said.

"It can help those factories that already have sufficient technology, materials, and workers, but lack capital to develop production," he said.

According to statistics, enterprises in the province have collected 150 million yuan (U.S. \$40.5 million) from the society by issuing bonds and stocks during the first 6 months of this year.

The Nanjing turbogenerator manufacturer grossed 5.62 million yuan (U.S. \$1.5 million) during the first half of this year, 70 percent more than the same period last year as a result of issuing "high interest" bonds, according to the factory director.

As an additional supplementary measure to assist factories, the province now encourages inter-bank borrowing and lending, which is also being implemented in other cities and provinces.

During the first half of this year, the total amount borrowed and lent among Jiangsu banks reached 350 million yuan (U.S. \$94.6 million), thus promoting greater cash flow.

FINANCE AND BANKING

SHAANXI RADIO URGES BETTER MANAGEMENT OF FLOATING CAPITAL

HK230235 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 23 Sep 86

[Commentary by Station Correspondent (Bao Li): "Manage and Use Enterprise Floating Capital Properly"]

[Excerpts] The management of floating capital in Shaanxi's industry has been poor for a long time. In 1985, the amount of quota floating capital tied up per 100 yuan of output value was 12.78 yuan higher than the national average. The circulation time of floating capital was 47 days slower than the national average.

The provincial economic work conference at the beginning of this year proposed that the movement of floating capital should be speeded up. By the end of August, far from speeding up, this movement was actually 22 days slower than at the beginning of the year. On the one hand, the amount of floating capital tied up in the enterprises has greatly exceeded the quota for the whole year. On the other hand, the enterprises have appealed that life is hard because capital is too tight.

This correspondent has discovered that the reason for the emergence of this situation are: unskilled management of finances by the enterprises; and the factors resulting from the need to reform the fiscal system. As far as management of enterprises is concerned, only few units have done a good job in this respect.

Economic results in the province's industry and communications system have not been good enough this year. This requires that all enterprises improve management of capital, tap its potentials, and speed up its circulation. The banks and the enterprises must closely cooperate in stimulating industry and communications production in the last few months of the year.

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CSO: 4006/36

FINANCE AND BANKING

SHANDONG MAPS OUT MEASURES FOR INCREASING REVENUES

SK300635 Jinan Shandong Provincial Service in Mandarin 2200 GMT 29 Aug 86

[Text] The 6-day provincial finance and tax work conference concluded in Jinan on 29 August. Governor Li Changan and Vice Governor Ma Shizhong attended the conference. Comrade Li Changan gave a speech.

The conference analyzed the province's revenues and expenditures during the first 7 months of this year, and set forth four measures to increase the revenues and economize on the expenditures, ensuring a balance in annual revenue and expenditure.

The first is to thoroughly implement regulations concerning invigorating enterprises formulated by the provincial party committee and government, and use taxes as a lever to stimulate enterprises to increase production of readily marketable products, improve and strengthen management, and fulfill this year's tasks for industrial production and for ending deficits and increasing income.

The second is to strictly control and greatly economize on spending. This year's budgetary deficits and overspent money should be resolutely corrected, and expected reduction in revenue should be balanced by cutting back spending correspondingly.

The third is to resolutely guard against increasing spending and reducing revenue. From now on, no level is permitted to make additional expenditures, or give tax reductions and remissions unless the central authorities issue other regulations. Support to measures for reform and enlivening the economy adopted by some localities should be kept within our financial capacity. If it exceeds our financial capacity and affects the balance between revenue and expenditure, we should suggest that the measures be cancelled or postponed.

The fourth is to conscientiously do a good job on large-scale tax and financial inspections, strictly investigate and punish tax evasion and withholding of state revenues, and collect all revenue that should be collected in a timely manner.

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CSO: 4006/37

FINANCE AND BANKING

SHANGHAI OPENS SHORT-TERM CAPITAL MONEY MARKET

OW301638 Beijing XINHUA in English 1517 GMT 30 Aug 86

[Text] Shanghai, 30 Aug (XINHUA)--A money market handling short-term capital lending among banks and bond discounts opened in this leading Chinese industrial and commercial city today.

By close of business, the transactions had come to 137 million yuan (U.S. \$37 million).

An official of the market said it will conduct sales and purchases of negotiable securities when conditions are right.

The term of the loan is less than half a year; and the interest rate is decided by the local people's bank according to the liquidity situation.

Today's biggest business was a 50-million yuan deal between Shanghai's agricultural bank and a district bank.

Run by the Shanghai office of the industrial and commercial Bank of China, the market is regarded as a reform of the old monetary system, under which money was allocated from above and flowed within the same banking system.

"It is also a bold step toward the target of building Shanghai into one of China's major financial centers," the official said.

He hoped that banks, insurance companies and other financial institutions elsewhere would take part in the business.

With the opening of the market, noted banking expert Yuan Zhicheng said finance in Shanghai has begun to show signs of vigor.

"It is a sound beginning," commented Li Xiangrui, president of the local people's bank, on today's 2-hour activities.

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CSO: 4020/14

FINANCE AND BANKING

TIANJIN BANK HELPS EASE RESEARCH FUNDS SHORTAGE

HK230505 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English 17 Sep 86
p 3

[Article by Yan Wenbin]

[Text] Since last June, businessmen and scientists in Tianjin have been parading in and out of an attractive building beside Tianjin Stadium.

The Tianjin Risk Investment Bank has become a magnet for those seeking financing for product research or purchase of up-to-date technology.

The bank, known in Tianjin as the Science and Technology Development Credit Department, is affiliated to the Industrial and Commercial Bank of China. Its chief responsibility is to raise funds and sell bonds for scientific and technological development in Tianjin. It also manages and distributes state and municipal loans to scientific institutions.

"We are trying to quench the thirst of companies and scientific institutions for capital to conduct research and apply the results to production," said Huang Zhulin, vice-manager of the risk bank.

According to Huang, the fledgling bank attaches great importance to the applied sciences. Priority is given to companies with sound track records in utilization of new technology, new materials, and new product experimentation.

The loans are generally short term, Huang said. The longest is 3 years.

Up to now, the bank has amassed 52 million yuan in fixed assets. Of that, 14 million yuan was supplied by the state to undertake key projects in Tianjin, one of three municipalities--along with Shanghai and Beijing--under the direct administration of the central government. Another 13 million yuan was invested by Tianjin Municipal Government for scientific research in various fields. The remainder was raised by the bank itself.

Of the money raised by the bank, 20 million yuan went to scientific research, 2.5 million yuan went to development of computers and 2.5 million yuan went to the Tianjin Spark Project.

China used to allocate scientific research funds freely to institutions. But lacking a special authority to supervise those funds, applications became more haphazard and monitoring to ensure their effective use was lax.

The results of such research were supposed to be available free-of-charge to industry. But some research institutions tried to sell their findings; others simply kept the results to themselves.

Lack of adequate research funds sometimes stopped experiments mid-way.

In March 1985, the Central Committee of the Communist Party of China passed a resolution calling for reform in scientific research funding.

As a result of that, a contract system was implemented. And instead of receiving direct grants from government, research projects get bank loans and pay interest.

Institutes are now also free to sell the fruits of their research.

The Tianjin Risk Investment Bank supervises allocations for scientific research on behalf of the Tianjin Economic Commission, the Tianjin Science Commission, and the central government. If problems arise in a research project, the department that chose the research institution will bear responsibility for any financial loss.

The bank charges no interest on loans from money it has raised itself, on condition that the loan recipient finishes the projects within a negotiated time.

If the research findings are sold to industry and used in production, the bank shares in the profit.

Interest is charged if the institution fails to meet its deadline. If the whole project goes belly-up, the bank takes possession of any apparatus, and unused portions of the loans are returned.

High-risk projects may require interest payments of between 20 and 50 percent.

"Ventures involving high risk may prove very profitable," said Huang.

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CSO: 4020/14

FINANCE AND BANKING

BONDS INVIGORATE ZHEJIANG COLLECTIVE ENTERPRISES

OW010132 Beijing XINHUA in English 0125 GMT 1 Sep 86

[Text] Hangzhou, 1 Sep (XINHUA)--The trial issuance of financial bonds has invigorated collective enterprises in cities and towns throughout Zhejiang Province, east China, an official of the local industrial and commercial bank said here today.

In October 1985, the bank sold bonds worth 70 million yuan (U.S. \$18.9 million) to urban residents.

The second batch of the bonds, worth 110 million yuan (U.S. \$30 million), went on sale this month and they are expected to be sold before the end of this year.

Money collected from the sales has been channeled as special loans to enterprises whose products are badly needed in the market or to technical-renovation projects which can be completed with more investment.

Two light industry projects in Pinghu Country went into operation and turned out 1.3 million yuan (U.S. \$350,000) in terms of output value, profit and tax last year after they got a special loan of 396,000 yuan (U.S. \$107,000).

The bank gave the Hangzhou electric fan plant, which wanted to boost production but lacked funds, loans of 1.9 million yuan (U.S. \$513,000).

The 1-year bonds have an interest rate of 9 percent, higher than that for bank savings.

Over the past year, financial bonds have also been sold in other parts of China, including Beijing.

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CSO: 4020/14

MINERAL RESOURCES

BRIEFS

NEI MONGGOL RARE EARTH--Beijing, 18 Sep (XINHUA)--Baotou, in Inner Mongolia, is capable of producing 17,000 tons of high-grade concentrated rare-earth ore a year--more than any other place in China. The Baotou Iron and Steel Co., one of the country's largest, now turns out 70 varieties of rare-earth products. [Text] [Beijing XINHUA in English 0641 GMT 18 Sep 86 OW] /9599

CSO: 4020/14

INDUSTRY

BRIEFS

CHINA'S IRON, STEEL PRODUCTION INCREASES--Beijing, 3 Oct (XINHUA)--China produced 38.4 million tons of steel in the first nine months of this year, 3.87 million tons more than the same period in 1985, said an official of the ministry of the metallurgical industry. The country's steel output has increased by three million tons for each of the past three years, he added. During the first nine months of this year, China also produced 36.9 million tons of pig iron and 30.1 million tons of rolled steel, 4.88 million tons and 2.5 million tons more than the previous period. The official said production of alloy steel, low-alloy steel, steel plates, strip steel and seamless steel tubes also enjoyed increases. [Text]
[Beijing XINHUA in English 1513 GMT 3 Oct 86 OW] /12624

STEEL INDUSTRY DEPENDS ON RENOVATION--Beijing, 4 Oct (XINHUA)--The development of China's iron and steel industry will mainly depend on its technological renovation, an official of the metallurgical industry ministry told XINHUA today. To accomplish the renovation, the country invested more than 1.36 billion yuan (370 million U.S. dollars) in the first half of this year alone, an increase of 57 percent over the same period in 1985, he said. "But to get the job done by 2000, we'll be working with foreign investors and suppliers of advanced technology," said the official, adding that the ministry is working on a plan to absorb foreign investment. He said China's annual steel output should reach 80 million tons by 2000, an increase of more than 34 million tons over this year's production. Technological retooling at the beginning of the decade has already paid off, according to the official. "Upgrading enabled us to raise our steel output by nine million tons to more than 46 million tons between 1980 and 1985," he said. [Text]
[Beijing XINHUA in English 1206 GMT 4 Oct 86 OW] /12624

CSO: 4020/18

SMALL-SCALE ENTERPRISES

HENAN TOWNSHIP ENTERPRISES DEVELOP COURTYARD ECONOMY

HK270132 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 25 Aug 86

[Text] According to HENAN RIBAO, developing township enterprises is the province's only way to invigorate its rural economy. In connection with the Seventh 5-Year Plan, which involves the province's national economic and social development, our township enterprises should make greater progress.

(Yu Xuan), responsible person of the department concerned, said: Judging from the province's actual situation, we must actively popularize the Wenzhou pattern, and emphatically develop courtyard economy based on household industry. On developing household industry, Yang Xizong, secretary of the provincial CPC Committee, summed up three points:

First, we must study the Wenzhou pattern's coordination in three areas. Based on household industry, relying on specialized markets and taking the sales personnel as the core, we should coordinate the production procedures well.

Second, we must enthusiastically support the development of courtyard economy. The experience of Mengjin County can be summarized into three statements: We must prepare the public for forthcoming development, give guidance in a planned way, and provide coordinated services.

Third, the development of township enterprises should be a gradual one and be taken step by step. Lingling County took this as a three-step development. First, in line with the objective situation of local agricultural resources and technological conditions, we should develop the individual household production pattern. Second, we should popularize the production and run joint operation. Third, focusing on the rural commodity production situation, we should establish large-scale raw material production, processing trades for factories, and so on.

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CSO: 4006/37

SMALL-SCALE ENTERPRISES

BRIEFS

NEI-MONGGOL RURAL JOINT VENTURES--Nei Monggol Autonomous Region has made new progress in developing joint-venture businesses among the households of peasants and herdsmen. As of the end of June this year, the region had more than 176,000 enterprises solely or jointly opened by households of peasants and herdsmen, which account for more than 90 percent of the total number of township and town-run enterprises throughout the region and which accommodate more than 400,000 employees. According to incomplete statistics, these enterprises earned more than 520.15 million yuan in gross income during the first half of this year, a 57.9 percent increase over the figure of the corresponding 1985 period, and made more than 65.02 million yuan in profits. [Excerpts] [Hohhot Nei Monggol Regional Service in Mandarin 1000 GMT 24 Aug 86 SK] /12232

GUANGDONG TOWNSHIP ENTERPRISES--In the first half of this year, township enterprises in the province made new development. The number of people employed by township enterprises increased by 230,000 compared with that at the end of last year, and the total income of township enterprises in the province in the first half of this year reached some 9.25 billion yuan, an increase of 35.6 percent over the same period of last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0300 GMT 29 Aug 86 HK] /12232

CSO: 4006/37

CONSTRUCTION

CONTRACT SYSTEM TO BOOST COAL MINE CONSTRUCTION

OW021058 Beijing XINHUA in English 0652 GMT 2 Oct 86

[Text] Beijing, 2 Oct (XINHUA)--To cut investments and shorten the construction cycle, China's 49 larger coal mines will have introduced the "initiative-based contract responsibility system" for engineering projects by the end of this year.

Under the system, the central government sets quotas for investments and building materials, as well as the deadline for construction, while state-owned construction firms guarantee quality and the deadline, and receive bonuses for early completion.

A coal industry ministry official said that the system, first tried out in smaller mines five years ago, has been extended to 33 larger mines. Among them are the Gujiao mining area in Shanxi Province, which will produce 12.5 million tons a year, and seven others which will each produce at least three million tons annually in Anhui, Shanxi and Hebei Provinces.

The official said, "the contract system has proved effective in cutting waste and ensuring early completion."

For example, the investment needed to produce one ton of coal in 51 smaller mines that introduced the system in 1981 and 1982 was 35.27 yuan (about 9.5 U.S. dollars) less than in other similar mines.

According to preliminary statistics, larger mines that have introduced the new system since 1983 are expected to cut investments by 1.07 billion yuan -- enough to build a mine with an annual production capacity of seven million tons.

Meanwhile, construction firms guarantee to complete one of the 33 larger mines within an average of 78.6 months, 12 months less than the time needed for completing a similar mine during the 1981-83 period.

Coal accounts for 70 percent of China's energy supply. And the country's coal production will rise by an annual average of 40 million tons during the 1986-90 period, to reach one billion tons in 1990.

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CSO: 4020/18

CONSTRUCTION

BRIEFS

EVALUATING CONSTRUCTION PROJECTS--Beijing, 4 Oct (XINHUA)--An overall check of projects now under construction in China will be completed this month by an office under the State Planning Commission, today's PEOPLE'S DAILY reported. The investigation is designed to stop or delay less important projects and guarantee adequate funding for key projects as designated by the State Planning Commission. The commission has specified energy development, raw material utilization, transportation and postal and telecommunications services as key projects for the next five year planning period of 1986-1990. The Ministry of Forestry has already halted construction of two plants and postponed construction of two others, reducing spending by 200 million yuan (about 54 million U.S. dollars). Anhui Province cut down its investment budget from 300 million yuan (about 81 million U.S. dollars) to 130 million yuan (about 35 million U.S. dollars), the paper said. Some ministries and provinces, such as the Ministry of Water Resources and Electric Power, the Ministry of Ordinance Industry and Guangdong Province, have been encouraged to speed up their investigations. According to the office, all projects not in-line with the state planning commission's specified key project areas should be cancelled or postponed, the paper said. [Text] [Beijing XINHUA in English 1209 GMT 4 Oct 86 OW] /12624

CSO: 4020/18

DOMESTIC TRADE

DOMESTIC TECHNOLOGY TRADE DECLINES FROM LAST YEAR

OW080142 Beijing XINHUA in English 0123 GMT 8 Oct 86

[Text] Beijing, 8 Oct (XINHUA)--After a three-year period of rapid growth the Chinese technology market seems to have reached a plateau, according to the ECONOMIC DAILY.

"There has been a great decrease in the volume of domestic technology trade since the beginning of this year, compared with the same period of last year", Guo Shuyan, vice minister of the State Science and Technology Commission said.

"Technology trade is facing a lot of difficulties," Guo said at this Monday's opening ceremony of the technology market developing company of China, adding that, "although the whole atmosphere for the development of the technology market has been bright since it opened in 1984."

Last year, the total technology trade volume totalled 2.3 billion yuan (622 million U.S. dollars), he said, and "the development of the technology market has brought technicians' abilities and positive factors into full play."

The development of technology has been unsteady and a lot of obstacles are still blocking the technology market, the vice minister said.

"The framework of the commercial economy has not been established and numerous working materials are still under state control and do not enter the technology market freely," he said.

Technology market development in China is also troubled by China's traditional economy which has influenced economic development for several thousand years, and even today, as a result, commodities are not properly distributed, he added.

He also pointed out that the growth of the technology market has been hampered by a nationwide campaign to restrict construction loans. "The resulting credit squeeze hurts a large number of enterprises wanting to buy technology," he stressed.

"To solve these problems and promote the development of China's technology market", he said, "strengthening lateral ties among domestic companies is very important. The technology market developing company of China is capable of reaching this goal."

FOREIGN TRADE AND INVESTMENT

CONSTRUCTION CONTRACTS SIGNED WITH YEMEN ARAB REPUBLIC

OW160202 Beijing XINHUA in English 0049 GMT 16 Sep 86

[Text] Sanaa, 15 Sep (XINHUA)--Two contracts for building water and sewerage projects in the Arab Yemeni cities of Ibb and Zhamar were signed here today by the Chinese Road and Bridge Company (CRBC) and Arab Yemen's National Water and Sewerage Authority.

Since September, CRBC has signed three contracts with the Arab Yemeni government, involving a total sum of more than 36 million U.S. dollars. One of the three was a project for improving the 256-km long highway from Sanaa to Taiz with a sum of more than 23.4 million dollars.

There are fierce competitions in the labor market of Arab Yemen. The tenders made by the Chinese Road and Bridge Company in the three projects have been accepted because of its high quality and speed in construction.

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CSO: 4020/12

FOREIGN TRADE AND INVESTMENT

DENMARK SIGNS AGREEMENT FOR 600 MILLION KRONER LOAN PACKAGE

Beijing GUOJI SHANGBAO in Chinese 12 Jun 86 p 1

[Article by Lu Zhen [0712 2182] and Jiang Zuoming [1203 0155 2494]: "Denmark Extends a 600-million-kroner Loan to China"]

[Text] A loan agreement for 1986 between the Chinese and Danish governments was signed on 29 May by Wang Wendong [3769 2429 2639], assistant minister of foreign economic relations and trade, and H. Olsen, director of the Danish International Development Office, on behalf of their respective governments. Under the agreement, the Danish government is to provide China with a 600-million-kroner loan.

This is the fourth package of mixed loans offered by Denmark to China since 1982. The first three packages totalled 870 million kroner and were used to finance 24 projects, of which 3 have been completed and put into production. Construction is proceeding smoothly on the remaining projects, most of which are expected to be completed and go into operation this year and next.

The latest loan package will be spent on 15 projects, including the Hubei Qicheng Cement Plant, with an annual output of 630,000 tons; the Fushun Heat and Power Plant, with an installed capacity of 100,000 kw; the Shanghai No. 2 dairy plant, capable of treating 200 tons of milk daily; the Siping Wooden Furniture Factory in Jilin, with an annual output of 140,000 pieces of furniture and 60,000 sets of interior doors; and the Beijing Food Processing Research Center.

12581

CSO: 4006/1171

FOREIGN TRADE AND INVESTMENT

INCOMIC PLANS AGENT RELATIONS WITH FOREIGN FIRMS

OW201935 Beijing XINHUA in English 1546 GMT 20 Sep 86

[Text] Beijing, September 20 (XINHUA)--The China Industry and Commerce Development Corporation (INCOMIC) plans to establish agent relations first with a dozen foreign businesses to help them sell their new products and technology in China, according to Zou Siyi, general manager of INCOMIC.

The corporation, a national agency involving both domestic and foreign trade, will gradually form a sales network for foreign companies in China. Zou, who was former head of the China United Trading Corporation in New York, told an INCOMIC meeting in session here.

The INCOMIC, founded in last June, was sponsored by the All-China Federation of Industry and Commerce. Its chairman of board of directors is Hu Ziang, who is also a vice chairman of the National Committee of the Chinese People's Political Consultative Conference and chairman of the federation. Its leaders include a group of noted Chinese figures in industry, commerce, and trade.

INCOMIC can have the more than 900 industrial and commercial enterprises under the federation as its business partners. The regional INCOMICS under the municipal, provincial and autonomous regional federations of industry and commerce will also cooperate with INCOMIC in business, so that the corporation can make use of the local resources, Zou told the three-day meeting.

Zou stressed the importance of export work for INCOMIC. The corporation should seek cooperation with the regional companies in setting up a national network for purchase of export goods.

It also should try hard on forming a domestic wholesales network and a national economic information network, he added.

The business scope of INCOMIC includes imports and exports, importation of foreign funds and technology, acting agents for domestic and foreign businesses, consultancy, and developing service trade and real estate in China.

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CSO: 4020/15

FOREIGN TRADE AND INVESTMENT

CAUTION URGED IN HANDLING FOREIGN ENTERPRISES

Beijing GUOJI SHANGBAO in Chinese 19 Jun 86 p 1

[Article by Yan Xichen [3508 1119 2525] and Wu Xinhui [0702 2450 1979]: "The Importance of Solving the Problems of Existing Foreign Enterprises"]

[Text] Starting from scratch, China began a drive to attract direct foreign investments in the wake of the policy of opening up to the outside world. The drive gathered momentum particularly rapidly after the opening of 14 coastal cities in 1984 and has made spectacular progress.

Statistics show that as of to date, there are over 6,600 approved Chinese-foreign joint and cooperative ventures and foreign-owned enterprises, representing a total of \$14 billion in foreign investments. (Excluded are joint ventures in offshore oil prospecting and development.) Currently over 2,500 projects have gone into operation or are under construction. In addition, a large number of projects are being negotiated.

Most projects now in business involving foreign capital are doing well financially and many of their products have made their way into the international market or satisfied a domestic need hitherto unfulfilled. Some projects in the tertiary industry have also been instrumental in meeting the needs of the open door policy or improving the investment climate.

More foreign capital will be absorbed during the Seventh 5-Year Plan in accordance with the demand of national economic development. After years of work, China's investment climate is gradually changing for the better, economic legislation involving foreigners is being substantiated and perfected, and the pertinent agencies and units in charge of projects have definitely become more experienced in their line of work. Thus we can say that we are equipped to quicken our pace as far as the absorption of foreign capital is concerned.

However, some foreign enterprises now in operation have run into a number of urgent problems due to the fact that China's economic management system in many ways remains incompatible with foreign investment. Furthermore, foreign businessmen still harbor many doubts about our investment climate. As a result, if we manage to put the existing enterprises on a sound footing, not only will we in effect be improving the investment climate, but we will also

be demonstrating tangibly to foreigners the many attractions China has as a place for investment. That's why the key to expanding foreign investment at present lies with ensuring that existing foreign enterprises prosper.

As instructed by leading comrades on the State Council, the agencies concerned recently studied the problems encountered by foreign investors currently and put forward solutions. After inter-agency discussions, there are reports that the agencies will be adopting a number of managerial measures with regard to enterprises already in existence. Certainly, policies and measures alone do not guarantee solution. Whether or not the measures are carried out to good effect depends on everybody's cooperation and support. The absorption of foreign capital is a novelty to us. Only a new management system can ensure its continuous healthy growth.

12581

CSO: 4006/1171

FOREIGN TRADE AND INVESTMENT

CONSUMER GOODS IMPORT DUTIES READJUSTED

HK290707 Beijing CHINA DAILY in English 29 Sep 86 p 1

[By Staff reporter Wu Xue]

[Text] Effective on Wednesday, there will be some changes in import duties on personal luggage and mailed articles carried in or posted to China.

"The rate will be cut on most articles; a few rates will remain unchanged; but the import duty on automobiles will be raised to 200 percent from 100 percent," an official of the Supervision Department of Luggage and Postal Articles under the General Administration of Customs told CHINA DAILY.

Among the cuts, the rate on refrigerators, washing machines and other household electric appliances will be lowered from 100 percent to 50 percent; cameras and video recorders from 150 percent to 100 percent; watches from 200 percent to 100 percent; food from 100 or 200 percent to 50 percent; clothes from 100 or 150 percent to 50 or 100 percent. Import duties not listed 100 percent but now will be cut to 50 percent.

The official said the adjustment is being made in keeping with the economic situation at home and abroad.

"Recent years have seen a great increase in consumer goods in China. The domestic market is carrying items from daily-use to highgrade products, like TV sets, cassette tape recorders and refrigerators. The price difference between domestic and foreign products is lessening, so it is no longer necessary to put heavy import duties on some articles," he said.

"The adjustment will improve the country's policy of opening to the outside world," the official said. "Under the open policy, more people are coming and going, and correspondence has become more frequent."

About 39 million people entered or left China in 1985, which is 11.6 times as many as in 1977. The number reached 22.75 million in the first half of this year, up 16 percent from a year ago.

There were 1.25 million import and export parcels shipped during the January-June period, a 38-percent rise from the same period of last year.

To facilitate the increasing flow of people and goods, the General Administration of Customs has adopted a series of reforms since 1984.

FOREIGN TRADE AND INVESTMENT

NATION TO BOOST MECHANICAL, ELECTRICAL EXPORTS

HK020209 Beijing CHINA DAILY in English 2 Oct 86 p 2

[Text] China has decided to put mechanical and electrical products high on its export agenda in the effort to increase foreign exchange earnings, according to a spokesman from the Mechanical and Electrical Products Export Office under the State Council.

China's exports of mechanical and electrical products have long been small in quantity. In 1985, they totalled only about \$1.7 billion, 6 per cent of the country's exports.

By the end of July, such exports were up 30 per cent over the same months last year. By the end of this year, exports are expected to reach \$2.2 billion.

The products include machine tools, electrical machinery, manufactured metal products, transport and telecommunications equipment, farm machinery, clocks and watches.

"Exporting such products is a new field for us," said Lin Zhongtang, a spokesman for the office.

"We are planning to spend three years building up our strength, and aim to raise our exports to \$4 billion in 1990," he said.

In order to keep up with world standards, 96 of the most technically advanced and promising factories have been designated as centres for manufacturing export-oriented mechanical and electrical products. The centres are mainly located in Shanghai, Beijing, Nanjing and Dalian.

These factories have been authorized to hold direct business talks with foreign companies, sign contracts and set prices. They can also retain 70 per cent of foreign currency earnings to buy raw materials and spare parts for production expansion.

In addition, 261 other factories have been granted power to determine prices and production management.

State Plan

The state plans to invest 400 million yuan to help technology improvement, cut production costs, and increasing model ranges in these factories.

"For a long time, we have neglected the importance of expanding exports," said Lin, "That's the reason why we set up an office to conduct planning and overall management of the new export centres."

At present, exports flow chiefly to Southeast Asia and Third World countries. Now, China is aiming at markets in Western Europe and North America.

"We are establishing worldwide selling, service and business information networks to seek new markets," said Lin.

/8309

CSO: 4020/15

FOREIGN TRADE AND INVESTMENT

REFORM OF FOREIGN EXCHANGE RETENTION PRACTICES DISCUSSED

Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese 15 Jul 86
pp 36-37

[Article by Yang Xiong [2799 7160]: Reforming the System of Pro-rata Retention of Foreign Exchange Earned Through Trade"]

[Text] Different pro-rata retention rates exist in China's current system of pro-rata retention of foreign exchange earned through trade, mainly in accordance with administrative divisions. Within a single administrative division, government and enterprises each have their own pro-rata retention rates. Under the existing system, the four special economic zones [SEZ's] of Shenzhen, Zhuhai, Shantou and Xiamen, the development zones of Hainan and Huangpu, Guangzhou, and Xijiang retain 100 percent of foreign exchange; Guangxi and other minority nationality areas retain 50 percent; Guangdong and Fujian (excluding the SEZ's and development areas) retain 30 percent, while the rest of the nation, 25 percent, or 12.5 percent for government and enterprises each.

The point of departure for the current system of pro-rata retention of foreign exchange earned through trade is to unleash the enthusiasm of localities and enterprises for expanding exports to earn more foreign exchange, at the same time granting power to them to use foreign exchange flexibly to partly satisfy the needs of production and operations.

This point of departure and subjective wishes are all well and good and have succeeded in encouraging enterprises and localities to export, up to a point. But its biggest drawback is that it overlooks the economic bonds between regions and enterprises, thus actually widening the original economic divide between administrative divisions.

1. Impede the traditional smooth flow of export commodities, drastically reducing the economic benefits of export. Motivated by a common desire to expand their foreign exchange retained pro-rata, all provinces keep local raw materials and some primary products from leaving their provinces, while seeking to have their own ports handle their export. This way the historical circulation channels of export commodities developed over the years have been artificially severed. As a result, processing industries in certain old ports are "starved" for raw materials. Particularly hard hit are some special

products which need to be processed in the original ports or which require an infusion of different raw materials from various localities in order to gain added value. These have never been able to recover.

On the one hand, normal processing capacity is idled. On the other hand, some products are sold at low prices. The economic results are easy to imagine.

2. Intensify competition between ports. Local authorities have become the backers of ports in their competition against one another, supporting them financially. The intensification of this competition has hampered the implementation of the principle of taking a united stand toward the outside world and led to an "outflow of profits." Meanwhile the scramble for materials within the nation has driven up prices, resulting in higher costs and more expensive products, which means less exports.

3. Encourage the export of primary products, hence complicating the introduction of multiple processing. Some commodities can be exported to earn foreign exchange at any one stage in their production process--as raw material, primary product, or highly processed product. Because production units all pin their hopes on the pro-rata retention of foreign exchange, they balk at providing one another with primary products even when the price is right, preferring instead to export the products to earn foreign exchange, in the process preventing processing enterprises from operating normally. This problem happens within a single locality and even within a single industry, seriously impeding any effort to introduce multiple processing of exports and switch to more upscale products.

4. Since retention rates of foreign exchange vary between provinces and SEZ's, areas with a higher rate are objectively able to bid for materials at higher prices and dump their products at low prices, greatly interfering with the export work of areas with low retention rates. As far as the provinces and localities are concerned, it takes different extents of financial support and different production costs to generate the same amount of foreign exchange retained. Consequently, a locality with a high pro-rata retention rate is in a position to buy up materials by driving up prices. As the flow of commodities is artificially diverted toward it, it disrupts the normal distribution of export commodities and the connection between the various links in the production chain, thereby affecting export work in these areas. By the same token, areas with a high pro-rata retention rate can outsell other areas with a low pro-rata retention rate by lowering the prices of their products.

5. Enterprises have run into difficulties in actually realizing their rate of pro-rata retention of foreign exchange.

Since an enterprise needs the cooperation of other enterprises to export, the latter feel that they too have contributed to the export effort and the earning of foreign exchange and are therefore entitled to a portion of the foreign exchange retained. This sets the stage for more conflicts between enterprises. To smooth inter-enterprise relations, the departments in charge and companies at the higher level are bound to step in and mediate, cutting off the flow of foreign exchange retained in order to equalize the

distribution. Besides, enterprises that earn foreign exchange do not necessarily require foreign exchange urgently, while those that are not foreign exchange-earners may experience a dire need for it. When the development of a non foreign exchange-earning enterprise hampers the development of an entire industry or corporation, it is entirely proper for the department in charge or corporation to move foreign exchange around in a reasonable manner. To do so also accords with the needs of production development. These circumstances are a major reason why enterprises today have not been able to realize foreign exchange retained

6. Little success in encouraging enterprises to export. China's current system of foreign exchange control is a quota system. What enterprises gain from the pro-rata retention of foreign exchange is merely a quota. In using foreign exchange, besides, enterprises must report to and apply for permission from layers of government authorities, quite apart from raising matching funds in renminbi. These days many enterprises say that pro-rata retention of foreign exchange is "for show only" and display little interest in it. It can thus be seen that as an incentive to enterprises to export and earn foreign exchange, pro-rata retention of foreign exchange earned through trade has very limited effects.

In short, the existing system of pro-rata retention of foreign exchange earned through trade, designed to stimulate the enthusiasm of enterprises and localities for export, causes numerous side effects and considerable losses in foreign exchange, and must be reformed thoroughly.

First, pro-rata retention of foreign exchange by local governments must be abolished. The Chinese economy has long been plagued by local fragmentation. Dismantling the barriers of administrative divisions should feature prominently in our future reform agenda. There should be a mighty effort to establish horizontal economic linkages between regions and sectors. It is proposed that foreign exchange needed by various provinces and municipalities (including SEZ's and development zones) continues to be appropriated by the central government, with proper consideration for SEZ's, development zones, and areas inhabited by minority nationalities.

Second, under existing circumstances, the pro-rata retention of foreign exchange should be kept for enterprises, but with improvements. At present, there is a uniform retention rate for all enterprises irrespective of what industry they are in and the degree of processing involved. This situation should be changed. We must apply different retention rates to different industries and apply different degrees of processing. For instance, we may consider raising the retention rate for industries like electromechanical instruments that are relatively competitive and whose costs of exporting and earning foreign exchange are comparatively high in order to encourage enterprises in those industries to export. Furthermore, we may vary the retention rate depending on the degree of processing involved. For one thing, it will encourage enterprises to upgrade processing. Second, it will also enable enterprises in multiple processing to allocate a portion of foreign exchange to enterprises that supply them with key raw materials, thus resolving the conflicts between enterprises over foreign exchange.

Third, gradually open up a domestic foreign exchange market by learning from pilot projects and reviewing experience. For starters, we must establish a market to regulate foreign exchange shortages and surpluses between enterprises and smooth the flow of foreign exchange. That accomplished, the government can then set aside part of its foreign exchange each year, gradually increasing its services over time. While it is the objective of future reforms to establish a domestic foreign exchange market under state control, we should take small steps at present and adopt an incremental approach.

Fourth, make corresponding changes in the foreign exchange control system. The present quota control system should be replaced by a . After retaining its share of foreign exchange, an enterprise should be allowed to open a bank account. That way we actually put foreign exchange at his disposal and increase the utilization rate of foreign exchange. If foreign exchange remains unused and sits idle at the bank for an extended period, the enterprise will then have no choice but to use it up quickly or transfer it.

Finally, since the development of horizontal linkages is an inevitable trend, modern enterprise groupings and holding companies in all forms and shapes are bound to appear at different levels, forming a strong export production system. For this reason, it is possible that the development of contracting for export by joint enterprise groups and integrated bodies will gradually replace the pro-rata retention of foreign exchange as an incentive to export. I suggest that an export group be set up in the Shanghai textile and apparel export industry or some other commodity, linking industry with trade, and straddling regions and sectors. The group will then carry out a pilot project in the contracting of foreign exchange earnings to give us the experience to gradually perfect an export production system.

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CSO: 4006/1291

FOREIGN TRADE AND INVESTMENT

TIANJIN ACCEPTING MORE FOREIGN INVESTMENT

OW232144 Beijing XINHUA in English 1632 GMT 23 Sep 86

[Text] Tianjin, 23 Sep (XINHUA)--This major north China port city has signed 25 Sino-foreign joint-venture contracts since the beginning of this year, involving 117 million U.S. dollars in foreign funds.

Tianjin now has launched 170 joint ventures, in which foreign firms have invested 270 million U.S. dollars, Zhang Zhaoruo, director of the municipal commission of foreign economic relations and trade, told XINHUA here today.

Tianjin is one of the 14 coastal cities with greater authority over foreign investment and trade.

According to Zhang, business partners come from Hong Kong and 12 countries, including Australia, Britain, Canada, France, Federal Germany, Japan, Thailand and the United States.

One third of them are industrial firms and the rest involve the service, transport, agriculture and construction sectors, Zhang said, adding that their average profit rate is 20.4 percent, with the highest reaching 26 percent.

"The productivity of these ventures is 2.5 times that of state-run businesses in Tianjin," he added.

Negotiations on several big projects involving foreign funds are under way, he revealed, noting that foreign investment therein will exceed the total amount of foreign money Tianjin has introduced so far.

These will include joint ventures or cooperative businesses to manufacture non-ferrous metals, seamless tubes, color t.v. tubes and hydraulic cylinders.

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CSO: 4020/12

FOREIGN TRADE AND INVESTMENT

TIANJIN HOLDS TECHNOLOGICAL, TRADE DISCUSSION

OW081426 Beijing XINHUA in English 1255 GMT 8 Oct 86

[Text] Tianjin, 8 Oct (XINHUA)--Tianjin, China's leading industrial city in north China, opened its first technological and trade business talks today for both Chinese and foreign firms.

The seven-day discussion will introduce the city's more than 400 projects seeking technical cooperation with Chinese and foreign businesses.

Jointly sponsored by the Tianjin new technology development group, the Tianjin new technology development company, the Science and Technology Company attached to the Tianjin Science and Technology Commission and the center for scientific and technological exchanges with foreign countries, the discussion is to promote international and inter-province cooperation, according to the organizing committee.

More than 20 firms from more than ten foreign countries and Hong Kong region, as well as representatives from about 200 local factories, enterprises, research institutions and colleges attended today's session.

Under discussion will be technological exports and imports, research entrusted by clients, joint ventures, cooperative production, compensation trade, processing with supplied materials, and assembly with supplied components and designs.

Ling Zhaoyuan, who is in charge of the discussion, said the projects offered by Tianjin cover opticals, electronics, software, machinery, instruments and meters, chemicals, light industry, textiles, communications, energy, building materials, medicines and foodstuffs, as well as agriculture and animal husbandry.

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CSO: 4020/17

FOREIGN TRADE AND INVESTMENT

BRIEFS

XIZANG-U.S. VENTURE--Beijing, August 11 (XINHUA)--A 1,100-bed hotel, a joint venture between the Tibet Autonomous Region and Holiday Inn of the United States, opened in Lhasa on Friday. It is the first Tibetan-foreign joint venture.
[Text] [Beijing XINHUA in English 1435 GMT 11 Aug 86 OW] /8309

WANSHAN ISLANDS OPEN TO INVESTORS--Guangzhou, 5 Oct (XINHUA)--The Wanshan Islands off the Pearl River mouth, a military strategic point at China's southern gate, have taken away "forbidden" signs and allowed overseas investors to build factories and outside ships to anchor, according to Guangdong provincial authorities. Now more than 30 enterprises have sprung up on most of the 120 islands and in formerly military camps, with investment coming from overseas investors. They are producing electronic products, hardware, candles, paper napkins, fruits and aquatic products. Now the investment put into the islands totalled 200 million Hong Kong dollars. Last year, the income of the islands from the new enterprises and breeding industry exceeded 330 million yuan, about half of the total. More than 3,000 people from the mainland and Hong Kong have settled down on the islands.
[Text] [Beijing XINHUA in English 0828 GMT 5 Oct 86 OW] /12624

CSO: 4020/20

SPECIAL ECONOMIC ZONES

CONSTRUCTION GOALS SHIFT DURING SEVENTH 5-YEAR PLAN

Beijing GUOJI SHANGBAO in Chinese 12 Jun 86 p 1

[Text] Through their reliance on special policies and concentration on infrastructural development, special economic zones [SEZ's] had gratifying achievements during the Sixth 5-Year Plan. Their goals during the Seventh 5-Year Plan are to establish an export-oriented economy centered on industry and the integration of industry and trade.

Statistics from relevant departments show that total investments in capital construction in the four zones--Shenzhen, Zhuhai, Xiamen, and Shantou--have topped 7.6 billion yuan, resulting in vast stretches of industrial plants, commercial buildings, tourist facilities, and residential housing. Even as they put up infrastructural facilities, the zones aggressively sought foreign capital, imported advanced technology, and developed a predominantly industrial economy. By late 1985, direct foreign investments in the SEZ's totalled \$1.17 billion, and 900 new plants have been built and put into operation. The four zones' combined value of industrial output in 1985 reached 4.86 billion yuan, more than a 500 percent increase over 1979, that is, before the zones were established. At present, a string of SEZ products have broken into the international market in close succession. Exports constituted 43 percent of Shenzhen's total sales in 1985; the corresponding figure for the Shekou industrial district was 98 percent. A high 90 percent of agricultural products were exported.

To the agencies concerned, the Seventh 5-Year Plan marks a new stage with new goals in the development of the SEZ's. During that period, their development must meet the following requirements:

- shift their emphasis from the expansion of capital construction to the perfection of related facilities. The thrust of their work should be redirected to production and there should be new emphasis on standards and efficiency;
- modify the industrial structure: Instead of concentrating on services as in the past, they should increase the share of industry involving advanced technology and pursue foreign capital as the major source of industrial investments;
- orient themselves to the international market. The bulk of their industrial output should be exported;

-- target economic structural reform at the large number of enterprises already in existence. A system of macroeconomic control and regulation suited to special economic zones should be devised and perfected so that the zones will gradually embark on a path of strong but steady economic growth, subject primarily to market forces;

-- increase economic prosperity and ensure a continuous rise in local income. During the Seventh 5-Year Plan, per capita income in the zones will be among the highest in the nation. In the same period, they should begin to contribute to the state coffers;

-- continuously improve the investment climate in the zones. Extra efforts should be made to prepare sound economic legislation, improve working efficiency, and train skilled personnel.

Once these new goals are achieved, the zones will be well placed to transform themselves into sophisticated, export-oriented economies dominated by industry and characterized by the integration of industry and trade and the coexistence of tourism, agriculture, animal husbandry, and fishery by the end of the century, without losing their own distinctive qualities.

12581

CSO: 4006/1171

SPECIAL ECONOMIC ZONES

SHANTOU SEZ TO ESTABLISH SMALL PROCESSING ZONES

OW290747 Beijing XINHUA in English 0624 GMT 29 Aug 86

[Text] Guangzhou, 29 Aug (XINHUA)--The Shantou special economic zone (SEZ) has decided to open up four small processing zones for industrial and agricultural products by providing more preferential treatments to attract foreign and home investors, according to the Guangzhou provincial people's government.

The Shantou SEZ, one of China's four open to foreign investment and technology, will levy fewer charges on investors for the use of land, factory buildings and labor, a senior government official told XINHUA today.

According to the Shantou SEZ administration committee, the charges it has already imposed for the use of land, factory buildings and labor are lower than those in the other three special economic zones--Shenzhen, Zhuhai and Xiamen.

The SEZ will give priority to projects relating to the processing of agricultural, side-line, poultry and meat products fodder production, canned drinks, printing, garment making and electronic toys.

The four processing zones will be established in the 22.6-square-kilometer Longhu area.

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CS0: 4020/12

SPECIAL ECONOMIC ZONES

SHEKOU INDUSTRIAL AREA BUILDS INFRASTRUCTURE

OW200512 Beijing XINHUA in English 0240 GMT 20 Sep 86

[Text] Shenzhen, 20 Sep (XINHUA)--The Shekou industrial area facing Hong Kong is building more infrastructural projects to pave the way for more foreign investment.

Shekou is part of the Shenzhen special economic zone in Guangdong Province, developed by the China Merchants Steam Navigation Company Ltd.

An official in charge of the construction project said here today that the second construction phase includes erecting buildings on two square kilometers of industrial land, laying an underwater cable between Kowloon and Shekou and a 20-km water supply pipe, building two berths for ships and increasing the telephone capacity from the present 2,600 to 12,600 lines.

Since it was established in 1979, the industrial area has spent 320 million yuan on infrastructural construction on 2.8 sq km, in its first construction phase.

By the end of last year, the area had attracted 1.4 billion Hong Kong dollars in foreign investment, completed more than 50 factories and exported more than 100 categories of industrial products, accounting for nearly 67 percent of the total industrial output value.

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CSO: 4020/12

SPECIAL ECONOMIC ZONES

SHENZHEN SEZ HISTORY, DEVELOPMENT REVIEWED

Mayor on Investment Prospects

HK080907 Beijing CHINA DAILY SHENZHEN FOREIGN TRADE SUPPLEMENT in English
8 Oct 86 p 1

[By Li Hao, vice governor of Guangdong Province and mayor of Shenzhen]

[Text] Since the State established the Shenzhen Special Economic Zone in March 1979, the city's industry has developed very rapidly in all sectors into a system with advanced technology, creating a fine environment for foreign investment. With steady and coordinated growth, it is becoming more and more world market orientated.

By the end of 1985 some 907 industrial enterprises had been built and put into operation in this special economic zone. This quadrupled the number before the zone was set up in 1979. Total fixed assets had accumulated to 950 million yuan, 43 times that of 1979. Total sale of industrial products was 2.2 billion yuan of which 41.1 percent are from export and 9.5 percent from substitutes for import (products that needed to be imported previously).

In the past six years, guided by the State policy of opening to the outside world and carrying out economic reforms, we have encouraged the city's industry to be more and more oriented towards the world market, by introducing foreign investment and technology as well as by promoting domestic co-operation.

By the end of last year the city had clinched 3,689 deals with foreign businessmen absorbing \$1.363 billion, of which \$381 million are in use. Industrial output of enterprises with investment from foreigners or overseas Chinese made up 62.5 percent of the city's total last year.

In domestic co-operation the city contracted 464 industrial projects with 25 ministries and general corporations and 26 provinces or cities. It was 600 million yuan of investment and completed 200 co-operation enterprises. [sentence as published] Last year's output for co-operation enterprises was 495 million yuan, equivalent to 18.5 percent of the city's total industrial output.

After the conclusion of the national meeting of special economic zones early this year, the focus of our work began to shift from laying infrastructures to "promoting production, raising technological levels and paying attention to economic efficiency to make the economy more world market oriented."

"Among the projects using capital abroad, or co-operating with other parts of the country, approved by the State in the first half of this year: 51 projects, or 67 percent, have more than 70 percent of their products exported. This is an increase of 19 percent over the same period last year.

It was made clear at a meeting of special economic zones that work in the zone should aim at building a world market oriented economy based mainly on industry, combined with trade.

To achieve this goal we will continue to expand domestic co-operation and introduction of foreign investment and technology, set up more export bases and increase industrial products for export.

Major goals of Shenzhen's industry in the 7th Five-Year Plan period are to use \$1.5 billion of foreign investment and 6 billion yuan of domestic funds and build 500 new factories. Total industrial output in 1990 is to be 7 billion yuan, with an annual increase rate of 22 percent. By that time the industrial structure will be mainly world market oriented and sales of products for export, and substitutes for import, will make up 60 percent of the city's total. Among them export directly into the world market will be 40 percent of the city's total, bringing it a favorable balance of foreign currency.

What we have in mind for Shenzhen's industrial structure can be divided into three categories:

1. Industries using modern technology to produce new products should yield 25 percent of the city's total industrial output and become the city's competitive edge. They include the fields of large scale integrated circuits and micro-electronic technology; manufacturing and popularizing of computers; optical fibers and modern communications equipment and applied bio-engineering in food and the pharmaceutical industry. Most will be replacement of imports, some will be for export.
2. Traditional industries, renovated with advanced technology, will make around 60 percent of the city's total industrial output. They include applied electronics, petrochemical products, food, textiles, miscellaneous goods, new building materials and some precision machines and electronic equipment. Their products will be exported to bring in foreign currency.
3. Labor-intensive traditional industries will make 20 percent of the city's total industrial output. Outdated industries with grave pollution or lacking a competitive edge will be banned from entering the city.

At present, work in existing industrial sectors will be focused on developing electronics, petrochemicals, light industry, textiles, new building materials and precision machines. In the near future electronics, light industry (mainly food, textiles and packaging materials) and building materials will be developed as pillars. We warmly welcome foreign investment into these projects.

In accordance with China laws and regulations, we will offer favorable policies and safeguard investor's legitimate rights and interests.

Favorable treatment will be offered in finance. Income tax rates imposed on enterprises with foreign investment enjoy exemption from income tax for the first two-profit earning years, provided their contracts last beyond 10 years. They can also enjoy exemption by half from their income tax during their third to fifth profit-earning years.

After the administration of special economic zones is strictly separated from non-special economic zones, products for export produced within the zones will be exempt from export tax; they will also be exempt from consolidated industrial and commercial taxes and enjoy favorable offers in land fee and land use for industry within the zones. Industrial products of the zones should be mainly for export. A larger proportion of them, however, can be consumed domestically, provided foreign investors pump in advanced technology and management, make use of native materials and components or produce things that the country needs to import in quantities and provided they get State approval. The special economic zones offer more convenience to foreign and overseas Chinese businessmen or investors than inland provinces do. Special routes for import and export have been built; private cars from Hong Kong are permitted to enter the zones; more time is allowed to stay for business and three more harbors for transport.

Laws governing the special economic zones stipulate that investors' assets, profits and other legitimate interests shall be safeguarded. Such businesses are entitled to hire foreign employees and set their wage scales; their profits after tax and other legitimate income can be repatriated according to the regulations; if they close down their business, their assets can be resold and their capital repatriated after settling their debts. As for employment, they can hire people through open bid and both parties have rights to hire and resign.

With the development of the special economic zones, favorable policies and measures will be more complete and a more rational environment will be created for foreign investment.

Industrial Achievements Analyzed

HK080829 Beijing CHINA DAILY SHENZHEN FOREIGN TRADE SUPPLEMENT in English
8 Oct 86 p 1

[Text] In the past six years, the industry of Shenzhen Special Economic Zone has made striking achievements along with the development of the area's open economy. By 1985, the city had 907 enterprises and more than 90,000 workers. Industrial output value reached 2.67 billion yuan. Each worker's output topped 29,000 yuan. With more than 900 industrial products, the city's industry earned 236 million yuan and 66 million yuan was handed over to the state.

As compared to 1979, before the setting up of the Special Economic Zone, the number of industrial enterprises increased three fold, the number of workers, increased by 9.7 times, the total industrial output value, 43 times, labor productivity, three times and profit, 59 times.

Total industrial output value from January to August this year reached 2.088 billion yuan, an increase of 17.98 percent as compared to the same period last year. This showed that, in line with the state's overall plan and the changes of the market, the industry of Shenzhen has entered a stage of steady and continuous development.

It is encouraging to see that the open economy is thriving and has a bright future. According to statistics for 1985, 163 joint ventures had been set up and 622 joint projects had been undertaken. Nineteen of the joint ventures -- with an output value about 10 million -- form the backbone of the zone in terms of export and earning foreign currencies; 41.8 percent of the city's total industrial output value comes from these nineteen joint ventures.

More and more industrial products are entering the international market. In 1985, the industrial enterprises of the city produced more than 340 products for export. The value of exported commodities accounted in the city, an increase of 7.6 percent compared to 1984.

In the first half of this year, the output value of industrial exports accounted for 40.8 percent of the total industrial output value. In August, it reached forty-two percent. Now the area's export list includes electronics, machinery, instruments and meters, light industrial and chemical products, food and drinks, plus handicrafts, leather goods and pharmaceuticals.

To meet overseas needs and to help more industrial products from the special area enter the markets, the industrialists in Shenzhen will make full use of local advantages, while relying on strong domestic support. Stressing the development of sophisticated small-size, light products, they will also help enterprises which have achieved good economic results, are capable of exporting large quantities of products of high value and can adapt to market changes.

Industrialists will encourage the enterprises to narrow the technological gap between China and the advanced countries. The industrial department of the city will give full support to enterprises which produce goods that can replace imports now urgently needed by the country.

After several years of effort, the area will build up an industrial structure with industries at both high and low levels, the traditional industry and the newly-developed industry, and various economic forms. Industry will be responsive to the market and thriving industry will make new contributions to the further development and prosperity of the economy of the Special Economic Zone.

Vice Mayor on Continuing Growth

HK080905 Beijing CHINA DAILY SHENZHEN FOREIGN TRADE SUPPLEMENT in English
8 Oct 86 p 1

[By Zhou Xiwu, Vice Mayor of Shenzhen]

[Text] Shenzhen city is a Special Economic Zone taking industry as the key to its development while also promoting agriculture, commerce, animal husbandry, housing, tourism, science and education.

For the past six years, we have actively used foreign investment to introduce advanced technology, resulting in the rapid progress of the city's economic construction.

Shenzhen has signed 4,849 agreements with foreign businessmen, of which 202 each involved investment of at least 10 million Hong Kong dollars. The volume of foreign investment agreed on totalled \$3.695 billion, the amount actually put to use so far has reached \$1.084 billion. With this money Shenzhen has imported 30,000 pieces of equipment and 117 assembly lines.

Recent years have seen a steady growth in the use of foreign investment and the introduction of advanced technology. The proportion of high-technology projects called for in agreements signed with foreigners increased from 6.77 percent in 1980 to 26.9 percent in 1985. And the proportion of technology and equipment of advanced world standards increased from 1.2 percent in 1980 to 46.2 percent in 1985.

The Shenzhen administration has made the introduction of industrial technology a priority, progressing from low level to advanced production. By the first half of 1986, manufacturing accounted for 59.3 percent of all

projects using foreign funds. Industry has progressed from processing imported components and materials to manufacturing products from China-made components. The number of such products has reached 900. The structure of the industry has changed from labor-intensive to technology-intensive.

Of the enterprises put into operation before 1983, only 3 percent were technology-intensive. An additional 41 percent used some advanced technology. The remaining 56 percent were labor-intensive.

By 1986, the technology-intensive enterprises increased to 7 percent, and those with advanced technology to 39 percent, greatly reducing the number of labor-intensive enterprises.

The marketing of these industrial products has gradually evolved to export-oriented. Now 40 percent of all products are exported and 10 percent replace products previously imported.

Shenzhen, steadily develops new ways to bring in foreign investment and advanced equipment: joint ventures, sino-foreign co-operative management, borrowing of foreign funds and sole foreign investment.

At first, most outside investment in the city was from businessmen and small enterprises from Hong Kong and Macao. But by the end of 1985, investment had poured in from 19 countries and regions, including some consortiums and transnational corporations.

Shenzhen has also witnessed increasing economic co-operation with the outside world. Many foreign financial institutions have set up offices in Shenzhen. There are now about 10 foreign banks with offices or branches in Shenzhen. And the Hong Kong Ningsan Insurance Company Ltd. has a branch in Shenzhen.

Over the past six years, foreign investment and advanced technology have brought great economic benefits to the city. It has also promoted the city's industry, bringing a sharp change in its economic structure. Of 2,000 enterprises, 900 are enterprises involving investment from overseas Chinese, or sole foreign investment and joint ventures. Shenzhen has built up more than 800 manufacturing enterprises, including electronics, light industry, textiles, food, building materials, and machinery, of which 420 are joint ventures or enterprises involving investment from overseas Chinese or foreigners.

In 1985, the city's total industrial output was valued at 2.67 billion yuan (\$720 million), 40 times more than in 1979. Joint ventures with investment from overseas Chinese or solely foreign-owned enterprises accounted for 64.0 percent of the total industrial output value in 1986, while in 1985 it accounted for 42.5 percent.

Foreign investment and technology have also opened up more channels for export. In 1985, the value of exports was 30 times more than in 1980. Joint ventures with foreign partners and enterprises owned solely by foreigners were especially valuable in opening up export markets.

In using foreign investment, the Shenzhen Special Economic Zone attaches great importance to advanced technology and scientific management.

Foreign investment has also helped Shenzhen train personnel for the nation. Various government departments, both national and local, have set up classes in Shenzhen, bringing experts from Hong Kong and foreign countries to lecture. More than 140 such classes have trained about 6,000 persons.

Shenzhen's efforts have laid a solid foundation for its further development.

From now on, we will strive to build Shenzhen into a developed export-oriented Special Economic Zone with advanced industry integrated with trade. Efforts will also be made to develop tourism, agriculture, forestry, animal husbandry and fishery. Shenzhen will be built into a city with advanced technology and rational distribution of various industrial factors and high living standards to make it a business and commerce center for export.

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CSO: 4020/17

LABOR AND WAGES

GUANGMING RIBAO ON ISSUE OF FLOW OF LABOR

HK301517 Beijing GUANGMING RIBAO in Chinese 20 Sep 86 p 3

[Article by He Ganqiang [0149 1626 1730]: "A Brief Discussion on the Causes and Forms of the Flow of Labor Force"]

[Excerpts] Our country's labor and personnel administrative system must be reformed in order to facilitate a rational flow of labor. This requires us to really clarify the objective reasons for and rational forms of the flow of labor under socialist conditions. I will, in this article, give some of my opinions.

Treating Labor as a Commodity Hinders Free Movement of Labor

The following view is now in vogue: Recognizing that under socialist conditions, labor continues to be a commodity facilitates the flow of labor. This view holds that the flow of labor is because "labor is a commodity." I do not think that this is a scientific view.

If labor is a commodity then before it even enters the direct production processes, its value as a commodity must be fixed. Thus, a laborer can only get the remuneration equal to the value or price of his labor. As a result, it will be impossible for our laborers to get more personal remuneration by doing more work in accordance with the principle of distribution according to labor. Second, when the commodity of our laborer's labor has been sold, the use value of the labor belongs to the buyer. According to the law of commodity exchange, the laborers has to obey the order of the buyer. As a result, it is impossible for them to be the masters of their enterprises. Third, in the period when a laborer's labor is sold to the buyer, he must unconditionally take the job that the buyer assigns to him no matter whether this job entirely runs counter to his interest or is out of line of his ability. As a result, the laborer is bound by a specific job and his labor will become unable to flow. From the above, we can see that treating labor as a commodity hinders the implementation of the principle of distribution according to labor that is determined by our socialist relations of production and also laborer's free choice of jobs.

In fact, there are two objective reasons why there must be a flow of labor:

1. Because of the law of change in labor which is determined by the technological foundation of the great industrial revolution. Mechanized mass industrial production has technologically abolished the old-type division of labor that

kept people fixed for life in certain sections of production processes; therefore, "the innate nature of large-scale industry determines the change in labor and jobs and the all-round movement of labor." (*Das Kapital*" Vol 1, p 344)

2. "The socialist system is based on the principle of the all-round and free development of every person." (*Ibid* p 349) This principle shows that a socialist society consciously develops itself in a planned manner in accordance with the objective laws.

From the above we can see that fundamentally, treating labor as a commodity, actually hinders the all-round movement of labor. Therefore, it is not advisable to regard the idea that "labor continues to be a commodity" as the basis of the reform in our labor and personnel administrative system.

The flow of labor under socialist conditions should not be in the simple form of purchases and sales of labor. A rational form of flow must embody the principle of organically combining the interests of the state, the employing units and the individual as employees. In theory, we think that there should be quite many required characteristics in the forms of the flow of labor: First, we should set up special information offices. We should create conditions to enable the members of our community to understand as satisfactorily as possible the direction of labor flow that the state urgently needs and to enable the units that employ people know the the desire and ability of the people who want to change to new jobs or would like a move. Second, we should implement an employment contract system. The contract system is a new form that can actually combine the interests of the state, collective and individual and the a rational form to direct combined labor with means of production. Its characteristics are: It can implement the principles of combining responsibility, power and interests and of distribution according to labor and it stipulates terms concerning the duration of probation and formal employment and terms concerning termination of the contract. This form cannot only ensure a relatively stable supply of labor and meet the interests of the state or the employer units, but also facilitate laborers' free choice of jobs and all-round development. Third, we should establish a system to train those awaiting jobs. We now face of labor is a demand of the development of the productive force. Itself, within certain extent and time, surplus labor is unavoidable. Under the contract system, it is entirely necessary for the society to follow the law that governs the change in the demand of labor and satisfy in a planned manner the constant demand for labor by the development of our social productive force. In other words, we should develop various vocational schools for those awaiting jobs to learn some skill when they wait for jobs and thus enable them to satisfy the demand for labor on the first line of production at any time. Only by so doing can we really be able to make a distinction between the concepts of waiting for jobs and unemployment on which there are much debate among the people. Furthermore, since waiting for jobs is a normal phenomenon, our society should consider some economic responsibility for job-awaiting people. Of course, we must hold awaiting people rather than loaders for whom the society does not produce any responsibility. We should also adopt a series of coordinated measures related to the flow of labor.

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CSO: 4006/37

LABOR AND WAGES

GUANGDONG RURAL OCCUPATIONAL STRUCTURE UNDERGOES CHANGES

HK280625 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1020 GMT 26 Aug 86

[Text] Guangzhou, 26 August (ZHONGGUO TONGXUN SHE)--According to the departments concerned, the emergence of many new towns in the countryside of Guangdong Province has effected three marked changes in the rural occupational structure.

1. The population of towns below the county level has increased by a wide margin. Historically, rural fair trade was fairly well established in Guangdong, but it was seriously hampered for a long time after the end of the 1950's. Over the past few years, the trade has begun to revive following the diversified development of the rural economy of Guangdong. In 1980 there were 127 towns throughout the province, rising to 527 in 1985. The town population increased from over 10.6 million in 1980 to more than 18 million, accounting for 30 percent of the province's population. The development of town construction has spurred the expansion of industry and trade in the rural areas. For example, Juntang, an industrial satellite town in Enping County, was only a fair ground 10 years ago. In the past few years, Juntang has vigorously developed the cement and building industries by using locally abundant limestone. This has encouraged the rapid development of the mining, building, transport, and packing industries and the service trades.
2. The agricultural population has begun to engage in industry and trade instead of farming. It is estimated that the surplus labor force in the rural area of Guangdong Province accounts for about 30 percent of the total agricultural population. This proportion is even higher in economically developed areas. Thanks to the opening up policy, the surplus labor force has gradually given up farming and engaged in other trades. This has stimulated the development of rural commodity production. In 1985, Nanhai County had a labor force of more than 220,000 for farming, but now over 60 percent of them have given up farming and begun to engage in commerce and the processing, transport, building, and manufacturing industries.
3. The population engaged in the tertiary industry has increased notably. The tertiary industry is composed mainly of service trades, commerce, restaurants, and tourism, and has developed substantially in the countryside. Its growth rate is the highest in the whole nation. According to the incomplete statistics, there are nearly 2 million people engaged in the tertiary industry in the

countryside of Guangdong Province. Those who engage in the restaurant and service trades now account for more than 11 times the figure in 1979. Those who engage in transport service in the province have a total of 9,000 cars and 160,000 small and medium-sized tractors. Furthermore, there are now about 4,000 rural fairs in the province, attracting about 1 million people to come to and fro between town and country every day.

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CSO: 4006/37

LABOR AND WAGES

SICHUAN OFFICIAL DISCUSSES LABOR SYSTEM REFORMS

HK010415 Chengdu Sichuan Provincial Service in Mandarin 2200 GMT 31 Aug 86

[Text] According to SICHUAN RIBAO, a reporter recently found that a number of workers in state-owned enterprises and units had raised a number of questions during the current reform of the labor system and institution of the labor contract system. The reporter therefore visited the provincial Labor and Personnel Department, where a responsible person gave clear-cut answers to the questions raised.

The responsible person said: "Instituting the labor contract system is a major reform in China's employment system. It will be practiced when recruiting new workers in the future. There is no question of switching the existing permanent workers to the labor contract system. [quotations as received]

Regarding the age and pay and conditions for workers' retirement, the responsible person pointed out that the state has unified regulations on the retirement system. The retirement age for permanent workers in state-owned enterprises and units and state organs will remain that stipulated by the current law. Their retirement pay and conditions will also continue to be governed by the existing regulations. The state has new regulations on retirement pensions and insurance for contract workers: The social insurance system will be instituted.

The responsible person also pointed out that four regulations on reforming the labor system which the State Council is about to promulgate will be conveyed to the worker masses in each locality. They will have a still better idea of the relevant policy regulations after conveying and studying these regulations. We believe that the workers will support the policy decisions of the CPC Central Committee and the State Council on reforming the labor system.

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CSO: 4006/37

LABOR AND WAGES

TIANJIN TRADE UNION CONGRESS ENDS 5 SEP

SK240839 Tianjin TIANJIN RIBAO in Chinese 6 Sep 86 p 1

[Excerpts] After defining the major tasks of the municipal trade union work for the implementation period of the Seventh 5-Year Plan and electing the 11th committee of the municipal Trade Union Council and the Fund Examination Committee, the municipality's 11th congress of trade union members concluded at the First Workers' Palace on the afternoon of 5 September.

Attending the closing ceremony of the congress were leading comrades from the municipal organs, including Wu Zhen, Wang Xudong, [?Lan Baojing], Bai Hua, Li Zhongyuan, Liu Zengkun, Fan Quan, Yao Jun, Li Changxing, and Zhou Ru.

During the congress, the delegates unanimously approved the work report entitled "Unite With All Staff Members and Workers in the Municipality and Come Forward To Be Vanguards in Conducting Reforms in Order To Make Contributions to Fulfilling the Seventh 5-Year Plan," and the financial work report. The congress commended 200 advanced units and 300 advanced individuals emerging in rendering good service to staff members and workers, as well as more than 500 activists of trade union members.

During the congress, through full deliberation and democratic consultations, the delegates elected the 11th Municipal Trade Union Council Committee including 97 members and the 7-member Fund Examination Committee. On the afternoon of 5 September, the 11th Municipal Trade Union Council Committee held its first plenary session, at which 10 Standing Committee members of the 11th committee were elected; Pan Yiqing was elected chairman of the 11th committee; and Shan Shu, Yang Xilu, Yu Changsheng, and Su Lanzhou were elected vice chairmen of the 11th committee.

The congress also adopted a resolution urging the working class in the municipality to display the spirit of being masters of the country, to clearly discern the mission, and to unite as one in launching struggles. Efforts should be made to know well the situation, to plunge into the drive to conduct reforms, to take a clear-cut stand in supporting the drive, to unswervingly push forward the drive, and to play a backbone role in continuously and deeply conducting reforms in economic systems and being ready to conduct reforms in the leadership and labor systems of enterprises.

The resolution also urges the working class in the municipality to concentrate on upgrading the quality of products, lowering consumption, increasing economic results, and working hard in the upcoming 120 days in order to make a success in the first year of the implementation period of the Seventh 5-Year Plan. Efforts should be made to make new and still greater contributions to ensuring the fulfillment of various tasks this year, achieving a fundamental turn for the better in the morale of various industries and trades and in social morale, building socialist spiritual and material civilizations, and developing a new situation of conducting reforms and enforcing the policy of opening to the outside world.

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CSO: 4006/36

LABOR AND WAGES

BRIEFS

XINJIANG CONTRACT WORKERS--In recent years, the ranks of labor contract workers in Xinjiang Region have quickly developed. The number of labor contract workers by the end of June this year was 45,000 and accounted for 2 percent of the total number of workers in the whole region. Since the beginning of 1982, our region has implemented the labor contract system. Of the newly recruited workers in the first half of this year, 93 percent were contract workers.

[Summary] [Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 20 Aug 86 HK] /12232

CSO: 4006/36

TRANSPORTATION

PRC TO COMPLETE MORE BERTHS IN COASTAL PORTS

OW071039 Beijing XINHUA in English 0705 GMT 7 Oct 86

[Text] Beijing, 7 Oct (XINHUA)--In a bid to improve the country's economic infrastructure, China is to complete 21 deep-water and medium-depth berths in its coastal ports in the last quarter of this year, a government official said here today.

The operation of the new berths will add a combined handling capacity of 25.86 million tons and bring the country's total handling capacity to 335.86 million tons.

The new births -- eight for coal shipment and 13 for sundry goods shipment -- are located in 11 harbors, including Beihai, Fangcheng, Haikou, Huangpu, Lianyungang, Ningbo, Shijiu and Yingkou.

An official of the ministry of communications said in an exclusive interview with Xinhua that the new berths will help ease the strain on shipping, and promote foreign trade and the national economy.

He said the new berths are part of the massive port-expansion scheme being launched between 1986 and 1990.

Qian Yongchang, minister of communications, announced in May that "China will launch a port-expansion project involving more than 10 billion yuan and large amounts of foreign funds."

He said, "the government plans to build 200 berths, including 120 deep-water berths, in the 1986-1990 period in order to ease the strain on shipping and promote foreign trade."

To this end, the Chinese government has invested 1.6 billion yuan this year. The investment will be larger and more berths are expected to go into operation in the next few years.

Construction is now in full swing on 50 berths, of which 27 are new projects in major ports including Dalian, Huangpu and Qingdao.

The ministry official said, "our task is heavy but construction is going smoothly." By the end of September, the builders completed 68 percent of the construction plan for the whole year.

Shanghai Harbor, China's largest, is building 18 berths in two loading and unloading operation districts, and a coal wharf this year, while expanding and upgrading the existing port facilities.

Qinhuangdao became China's second-largest port last year, and is poised to become one of the biggest coal harbors in the world. The ice-free harbor can handle 100 million tons of coal a year when a super-heavy electrified railway from the Datong Coalfield in Shanxi Province is completed in 1992. It is now building eight coal and bulk cargo berths there, where 15 berths are already in operation.

Lianyungang Port, which is a terminal of a railway connecting 11 provinces and autonomous regions from east to northwest China, is building nine berths, of which two will go into operation this year. It has now only nine berths with a designed handling capacity of five million tons a year.

According to the ministry, China has achieved remarkable results in the past five years, constructing 54 deep-water berths and 25 medium-depth berths with a total annual handling capacity of 100 million tons.

In 1985 alone, China completed 33 deep-water berths capable of accommodating 10,000 dwt ships.

Thanks to the new facilities, China's 15 major harbors handled 170 million tons of cargo in the first six months of this year, up 14.5 percent over the same period last year.

China's harbors are expected to handle 12 percent more than last year, to reach an annual 350 million tons.

12624

CSO: 4020/18

TRANSPORTATION

BRIEFS

SHANXI RAILWAY CONSTRUCTION--Beijing, 5 Oct (XINHUA)--Construction of the Datong-Qinhuangdao Railway, a major state priority project designed to carry coal out of Shanxi Province, is going ahead of schedule, the overseas edition of the PEOPLE'S DAILY reported today. By the end of September over 70 percent of the workload scheduled for this year had been completed. Of the 44 tunnels, 21 have been cut through and more than half of the 234 bridges along the way have been completed. Tracks have been laid on a 128 kilometer section. Decision to build the railway was made in 1983. Totalling 653 kilometers long, it is China's first double-track, electrified modern railway for 6,000 to 10,000 ton super-heavy duty trains. Its annual freight handling capacity is designed to be 60 to 100 million tons. The railway is expected to go into operation by the end of next year and the whole line will be electrified by 1991. [Text] [Beijing XINHUA in English 0749 GMT 5 Oct 86 OW] /12624

DALIAN SEEKS FOREIGN LENDERS--Dalian, 17 Sept (XINHUA)--China is looking for foreign lenders to help accelerate its 1.4 billion yuan (378 million U.S. dollars) development of the port of Dalian, a government official said today. Zhang Xincheng, a senior official at the port construction headquarters, said "the port has to expand" to keep up with rapid growth in traffic. Dalian is the largest port in north China. Since the government opened it to foreign trade in 1984, imports and exports have grown so fast that "port congestion has become a serious problem" he said. According to Zhang, Chinese officials are negotiating with the World Bank for project loans as well as talking with potential lenders from the Federal Republic of Germany, France, Great Britain, Japan and Singapore. For its part, the Chinese government has invested a record 170 million yuan (45.9 million U.S. dollars) this year on the port expansion, an all time high. If current plans are followed, said Zhang, the port's annual handling capacity will increase from 1985's 43.8 million tons to 60 million tons by 1990 and to 80 million tons by 2000. All of northeast China's imports and exports go through Dalian, including those from Liaoning, Jilin and Heilongjiang Provinces and the eastern part of the Inner Mongolia Autonomous Region. [Text] [Beijing XINHUA in English 0747 GMT 17 Sep 86 OW] /12624

CSO: 4020/18

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

USSR SEEKS COOPERATION WITH CAPITALIST COUNTRIES

OW240403 Beijing XINHUA in English 1851 GMT 23 Sep 86

[Text] Moscow, 23 Sep (XINHUA)--The Soviet government passed a resolution today stressing improvement of economic contacts with capitalist countries, announced the SOCIALIST INDUSTRY newspaper.

The resolution pointed out ways of developing new economic contacts with firms of capitalist nations, including setting up of cooperatives of scientific and technical productions and joint enterprises.

It noted the Soviet government would adhere to mutually beneficial principles and ensure the rights and interests of the other parties. However it emphasized at the same time that foreign partners must follow Soviet laws and regulations.

Establishing joint enterprises with capitalist countries is the new form of Soviet external economic activities, but specific cooperative measures and laws have not yet been provided.

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CSO: 4021012

TAIWAN

MEASURES TO CONTROL STEEL EXPORTS TO U.S. ANNOUNCED

OW181359 Taipei CNA in English 0958 GMT 18 Sep 86

[Text] Taipei, 18 Sep (CNA)--The Board of Foreign Trade announced Tuesday that export visas are required for those traders who desire to ship any of 402 categories of steel products to the United States so as to ensure the effective enactment of self-restraint in filling steel quotas.

The stringent measures the BOFT stipulated include the requirement of steel export visas on 402 categories of steel products, such as bloom, billet, and slab.

The BOFT has also authorized the Taiwan Association of Steel Industry to control the visas the traders need on another 13 categories of steel products for export to the United States.

Meantime, BOFT Director Vincent C. Siew Tuesday called on the steel association to team up with the customs to see the nation's self-imposed steel quotas are abided by. The ROC announced last month it has set its annual steel shipment quotas to the United States at 360,000 tons in the hope that its counterpart will halt its efforts to impose a ceiling on the ROC-made steel imports.

Siew made the call in the meeting joined by the representatives from the customs, the industrial development bureau, the steel association, and the domestic steel industry, which is aimed at working out a strategy for the ROC-U.S. machine tool talks slated for late September in Washington, D.C.

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CSO: 4020/14

TRADE WITH ASIAN NATIONS INCREASES SHARPLY

OW291105 Taipei CNA in English 0950 GMT 29 Sep 86

[Text] Taipei, 29 Sep (CNA)--During the first 8 months of this year, the Republic of China's [ROC] two-way trade with Asian countries totaled U.S. \$957 million, up U.S. \$312.3 million or 48.4 percent over the same period of last year.

An official of the Board of Foreign Trade [BOFT] said Sunday that the amount accounted for 46.8 percent of the total trade transactions with foreign nations in the same period.

Among its Asian trading partners, the Republic of China sold Taiwan-made products to South Korea worth U.S. \$215.9 million, up U.S. \$44.1 million or 25.7 percent from the corresponding period a year ago.

In return, importers of this country purchased Korean goods worth U.S. \$207.8 million, increasing by U.S. \$82.3 million or 43.3 percent compared with that in 1985.

Outbound Taiwan-produced goods to Seoul reached U.S. \$28.6 million in August alone, showing a rise of U.S. \$11.9 million or 71.3 percent over the level for the same month in the previous year.

In August, arrival shipments from Seoul topped U.S. \$31.3 million, indicating a growth of 110.1 percent or U.S. \$16.4 million, initial customs clearance tabulations showed.

The ROC's exports to the Philippines between January and August were valued at U.S. \$204.2 million, boosting by 30.7 percent or U.S. \$48 million.

More than U.S. \$105.3 million of Philippine products were delivered to Taipei in the first 8 months, up U.S. \$31.8 million or 43.3 percent.

The BOFT official said that last month, exports to Manila hit U.S. \$25.8 million, a jump of U.S. \$7.7 million or soaring by 42.5 percent compared with that of the earlier year.

Imports from the Philippine Islands amounted to U.S. \$12.2 million, up U.S. \$1.9 million or 18.4 percent against U.S. \$11.3 million for August 1985.

The ROC-Thailand trade totaled U.S. \$292.6 million in the two-way traffic for the first 8 months, with exports to Bangkok reaching U.S. \$181.5 million or 13.4 percent.

Imports from Thailand topped U.S. \$111.1 million, up U.S. \$10.4 million or 10.3 percent from the corresponding period last year.

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CSO: 4020/14

TRADE TALKS WITH SPAIN CONCLUDE, COMMUNIQUE SIGNED

OW240337 Taipei CNA in English 0237 GMT 24 Sep 86

[Text] Taipei, 23 Sep (CNA)--The ROC-Spanish economic and commercial cooperation committee concluded its fifth joint session Tuesday in Taipei. Delegates from the two nations signed a joint communique pledging to strengthen cooperative ties between the two nations in trade and investment.

The meeting was held in the afternoon at the Rebar Hotel in downtown Taipei with over 50 delegates from the two nations participating. Wang You-tseng, chairman of the General Chamber of Commerce of the ROC, and Adrian Piera, president of the Federation of Chambers of Commerce, Industry, and Navigation of Spain, signed the joint communique during the meeting which was closed at 6 pm.

The two sides reached the following agreement in the meeting:

- To intensify cooperation in the production of procelain bricks;
- To study possibilities of cooperation in mechanical engineering, electrical, and electronic industries and promotion of these products in Southeast Asian and European markets;
- To organize trade and investment missions to visit each other to promote commercial ties and seek investment opportunities; and
- The Spanish delegates agreed to suggest to the Spanish Government that it simplify business visa application procedures and authorize the Spanish Chamber of Commerce in Taipei to issue entry visas for ROC citizens.

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CSO: 4020/14

BRIEFS

FISHING ACCORD WITH PHILIPPINES--Taipei, 26 Sep (CNA)--The governments of the Republic of China and the Philippines are working on an official agreement on fishery cooperation between the two countries, Foreign Minister Chu Fu-sung said Friday. "We hope that through this agreement, the fishing industry of the Philippines will be further developed with assistance from the Republic of China," said Minister Chu. Currently, Chu said, fishing cooperation between the two nations is on private basis. Answering an interpellation from Legislator Huang Yu-min at the Legislative Yuan, Chu said a complete cooperative plan has been mapped out by the government in this regard and cooperation is expected to commence in the near future. Chu also reiterated the sincerity of the Republic of China's intentions to expand cooperation with its island neighbor to the south in fields not limited to fishing. [Text] [Taipei CNA in English 0933 GMT 26 Sep 86] /9599

CSO: 4020/14

TRADE, INDUSTRY SECRETARY RETURNS FROM GATT ROUND

HK230229 Hong Kong SOUTH CHINA MORNING POST (BUSINESS section) in English
23 Sep 86 p 2

[Text] The secretary for trade and industry, Eric Ho, returned from Uruguay yesterday weary of travel, and trade talks, but hopeful the new "Uruguay round" of multilateral trade negotiations will help open further the channels of world commerce.

"The fact that the new round of GATT (General Agreement on Tariffs and Trade) has been launched is very good news for Hong Kong indeed," Mr Ho told the SOUTH CHINA MORNING POST.

"It means there is hope, more than existed before, that protectionist sentiment will be alleviated in countries that are major trading partners with Hong Kong."

Last week's negotiations got off to a rocky start, with several factions of the 92-nation group threatening to quash the new round if their demands were not met.

But by the end of the week, the group of developing countries led by India and Brazil had softened to U.S. proposals for the inclusion of trade in services, rules regarding foreign investment, and patent and copyright infringement in the agenda for upcoming talks, expected to last up to 5 years.

The United States says that more than 20 percent of world trade involves services, and that the key to reducing its more than U.S. \$150 billion trade deficit is to open foreign markets to American services.

Although the U.S. victory is limited--trade in services will only be discussed outside the legal structure of GATT in the new round--Mr Ho said he is confident Hong Kong will benefit from whatever comes out of the new round.

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CSO: 4020/14

RAPID DEVELOPMENT OF CENTRAL DISTRICT FINANCIAL MARKET

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese No 7, 15 Jul 86 pp 13-15

[Article by Wu Weiqun [2976 3634 5028]: "The Rapid Development of Hong Kong Financial Market in Recent Years"]

[Excerpts] Banking District And Banking Network

Hong Kong's Central District is a banking district. It had its beginnings in the 1950's and 60's and emerged naturally when Hong Kong gradually became a pivotal financial center in the world. Concentrated in it are the headquarters of Hong Kong-licensed banks, the major offices of foreign branch banks, and all kinds of financial institutions. The Hong Kong and Shanghai Banking Corporation, with its towering influence, is headquartered in the district. The Hong Kong branch of the Bank of China is one of the most powerful banks in Hong Kong and has grown rapidly in recent years. To meet the requirements of its expanding business, it is putting up a 70-story building near the Hong Kong and Shanghai Banking Corporation. To the west of the Hong Kong and Shanghai Banking Corporation is the venerable Standard Chartered Bank, which has also decided to build a modern skyscraper rivaling the Hong Kong Bank to meet the needs of its growing business in the future. The fact that the Hong Kong and Shanghai Banking Corporation, the Bank of China, and the Standard Chartered Bank successively decided to build new headquarters testifies to their determination to compete in the colony.

Fanning out from the Hong Kong and Shanghai Banking Corporation, the Bank of China, and the Standard Chartered Bank, we can see that the entire Central District is thickly blanketed with banks and other financial institutions. Statistics show that as of late 1985, there were 143 banks (that is, the headquarters of local banks and the main branches of foreign banks), 313 financial companies, and 130 representative offices of foreign banks in Hong Kong. Most of them are located in Central District. Of the 143 banks, 107 are foreign banks licensed overseas, while 36 are local banks licensed in Hong Kong. Of the 107 foreign banks, 22 are from the U.S., 18 from Japan, 7 from Britain, 8 from the Federal Republic of Germany, 7 from France, and 6 from Canada, with the remainder from Western Europe and other nations in Asia. The bulk of them are leading international banks. Of the 36 banks licensed locally, 26 are either financed with foreign capital or began as local banks and were subsequently taken over by foreign banks and became their subsidiaries. The vast majority of the 313 financial companies are also

subsidiaries of large foreign banks. In short, Hong Kong is the hub of many of the world's top financial houses. With the Central District as their base, they have covered the colony with networks of branches and conduct a full range of financial activities. Statistically, there are over 1,400 bank branches scattered all over Hong Kong. They are omnipresent--on major thoroughfares, in tiny streets, near bus terminals and ferry piers, at the airport, and in shops and places of entertainment. In addition, there are thousands of "automated teller machines" [ATM's] where money can be withdrawn and deposited; in effect, every ATM is a mini-branch. Clearly Hong Kong stands out as an important international financial center, an arena where the world's leading financial institutions compete.

Fierce Competition and Good Services

The concentration of banks in the banking district and the fact that the urban areas are saturated with banks speak volumes for the fierce competition in the banking industry. Powerful and well-financed, large banks naturally enjoy a solid reputation. They are industry leaders when it comes to modernization, computerization, and the provision of good financial services, and are extremely popular among customers. Hence their considerable edge in attracting deposits and making loans. Take the Hong Kong and Shanghai Banking Corporation, for instance. With over 400 branches throughout Hong Kong, it accounts for almost one third of all banking branches in the colony. It also has over 400 ATM's, a number no other bank even comes close to. This explains why the bank's deposits and loans constitute 60 and 30 percent of all deposits and loans, respectively, held or made by Hong Kong banks combined. Because they are poorly equipped to make it in retail banking, large U.S., Japan, and European banks usually compete on the wholesale level. Exploiting their formidable capital resources, these banks can mobilize huge sums of money at any time to support their lending activities. On many occasions they did just that to put together large loan packages. In their competition with large banks, some small and medium-sized banks often see their deposits lured away and have trouble finding borrowers for their loans, which may lead to difficulties in their operations. To survive, their usual strategy is to strive to find a particular niche in the banking industry, provide good services, hold on to existing customers, and consolidate their hold on traditional operations. But even that may not ensure long-term survival. In the end they may have no choice but to seek support from large banks, which occurs frequently in Hong Kong's financial market. With the exception of the two British-financed banks, the Hong Kong and Shanghai Banking Corporation and the Hong Kong and Shanghai Financial Company, and four Chinese-financed banks, including Nanyang Commercial Bank, all the remaining 30 of the 36 locally-licensed banks are small and medium-sized concerns financed by local Chinese or overseas Chinese capital from Southeast Asia. Big foreign banks have successively bought into more than 20 of these banks, often acquiring enough stocks to control them.

Bank competition centers on deposits and loans, a key part of which is the provision of good services. Furthermore, to enhance their competitiveness, banks and financial companies offer a multitude of financial services, such as financial consulting for large companies and corporations, financial management, and so on. Good financial services effectively win the trust of

corporations, leading to increases in bank deposits and loans, including some major loan packages. In recent years, competition in the banking system has reached the point where it now impacts all aspects of social life, down to the family and personal level. Developments on this front have been particularly rapid; many banks provide all sorts of conveniences for companies and their employees. For instance, they issue pay checks to employees on behalf of their companies, directly deposit an employee's pay checks into his personal accounts, and pay water bills, electric bills, and taxes on behalf of their customers. When it comes to providing credit to families and individuals, in particular, the variety of lending plans is endless. The Hong Kong and Shanghai Banking Corporation, for instance, offers an array of credit plans, such as "all-purpose credit" and "super-easy credit." The Chase Manhattan Bank has its "easy money credit," "electric appliance credit," "tourist credit," "tax payment credit," and "home-ownership credit" plans. Then there are the "personal loan program" offered by the Standard Chartered Bank, the "tax payment credit plan" by the Bank of Canton, and the "timely credit" plan by Hang Lung Bank. Almost all banks which do business at the retail level have variously named loan programs. The application procedures are very simple. To apply for credit under the "all-purpose credit" plan offered by the Hong Kong and Shanghai Banking Corporation, for instance, you need only to earn more than HK\$2,500 a month. The plan allows a borrower to take out a maximum of HK\$50,000 in an emergency, which can be repaid within a period ranging from 6 to 36 months.

A Key Money Market

Hong Kong's capital market ranks among the world's leading markets. Since the 1960's, Hong Kong has consistently been a prime center to raise capital in the Asian and Pacific region. Whether the money is needed to ease short-term cash flow or for a long-term purpose, Hong Kong is the place to do it. While it does not yet operate on the same scale as London or New York, its potential is considerable, as demonstrated essentially by the movements of funds between Hong Kong banks and their foreign counterparts. In recent years the Hong Kong market has done very well, attracting an influx of international capital from various money markets around the world. Statistics show that at the end of 1985, the flow of capital from overseas to Hong Kong banks amounted to HK\$651.5 billion, compared to HK\$562 billion in the opposite direction, for a difference of HK\$89.5 billion (about a little over \$10 billion) in Hong Kong's favor. Of course this surplus includes short-term funds sent here for a quick killing, but a large portion of it found its way to Hong Kong because of attractive local prospects and would become long-term funds if they find a niche here.

The instruments of raising capital on the Hong Kong money market are as numerous and diverse as those elsewhere: Basically any method applicable on other markets is available here. As far as short-term funds are concerned, financial institutions accept deposits, make loans to one another at discount rates, and issue short-term notes, etc. To raise medium- and long-term capital, banks issue certificates of deposit, bonds, and syndicated loans, and companies issue stock. All these instruments can be used. Since 1985, the methods of raising capital in the Hong Kong market, like those in other international money markets, have been simplified and are now less costly.

There has been a marked decline in traditional syndicated loans, accompanied by a rapid expansion in the use of negotiable securities and notes, the latter including certificates of deposit issued by banks and bonds and commercial notes directly issued by commercial institutions. In 1984, Hong Kong banks put together or participated in 180 syndicated loans, with a combined value of \$14,871,000,000. The estimates for 1985 are much less. In contrast, while there were only a handful of notes issues in 1984, worth a total of HK\$260 million, 1985 saw a sharp rise in such issues to 64, worth HK\$19,689,000,000 in all.

Two issues have arisen in Hong Kong's money market in recent years. One, as the amount of funds in the market swells following the large capital inflow into the colony, lending has not expanded equally rapidly. The relative lack of capital outlets has caused a good deal of difficulties for banks, especially small and medium-sized banks, as mentioned above. Two, the secondary market is underdeveloped. Apart from a fairly active stock market, the circulation of other securities and notes is impeded due to a dormant secondary market. Since 1985, however, as the issues of securities and notes picked up significantly, the secondary market has gotten lively. For someone who wants to raise capital on the Hong Kong market, the first issue is actually a plus, as it creates a borrower's market. The second is a problem. But since the former attracts people who want to raise capital, the resultant increase in the issue of securities and notes have gradually breathed life into the secondary market.

Apart from local companies and enterprises, countries in the Asian and Pacific region are major borrowers on the money market, (as is the Hong Kong British government from time to time). According to incomplete data, between 1981 and 1984, South Korea borrowed a total of \$12.2 billion in Hong Kong; Indonesia, \$4.9 billion; Australia, \$5.4 billion; and New Zealand, \$3.9 billion. To a certain extent, China mainland has also made use of Hong Kong capital, but, estimates suggest, on a much more modest scale than other countries. Judging from the actual relations between the Hong Kong capital market and China right now, the interior cannot be better placed, in terms of time, geography, and human relationships, to take advantage of the Hong Kong market: There is so much it can do here.

The Development Hong Kong's Financial Market in Recent Years

Hong Kong's financial market has grown phenomenally in recent years, with the opening of 30 banks and 22 representative offices of foreign banks in 5 years. At the end of 1985, the total assets of Hong Kong's banking industry stood at HK\$1,555.6 billion, up from HK\$435.3 billion at the end of 1980, an increase of 250 percent over 5 years. During the same period, total deposits expanded 250 percent, from HK\$128.9 billion to HK\$448.9 billion, while total lending rose 140 percent, from HK\$183.9 billion to HK\$439.9 billion. In 1980, daily transactions on Hong Kong's foreign exchange market averaged \$5 billion. That figure reached \$9 billion in 1985. Annual trading volume on Hong Kong's stock exchange hit a record HK\$106 billion in 1980, dropped below HK\$50 billion in 1982-84, but rallied in 1985 when it climbed back to HK\$76.5 billion. To further internationalize Hong Kong's stock market and increase its ability to raise capital and make investments, the four original stock exchanges--Hong

Kong, Far East, Gold and Silver, and Kowloon--finally agreed, after years of deliberation, to merge their operations to form a unified exchange, which was formally opened on 2 April this year. This is a new chapter in the annals of the Hong Kong stock market and provides an impetus to its continued development. Expanding its existing local and London operations, Hong Kong's gold market has also branched out into futures trading, another step in its effort to internationalize and diversify.

Increasingly the development of Hong Kong's financial market in recent years has drawn the attention of the international financial community, which ranks it the third largest financial center in the world.

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BANK OFFICIAL ON FURTHER EXPANSION OF OPERATIONS

HK290939 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0930 GMT 26 Sep 86

[Report: "Sandberg Says: The Hong Kong and Shanghai Banking Corporation Is Going to Further Expand Its Business in Hong Kong and China"]

[Text] Hong Kong, 26 September (ZHONGGUO XINWEN SHE)--In a press interview with a ZHONGGUO XINWEN SHE reporter, Sir [Michael] Sandberg, chairman of the Board of Directors of the Hong Kong and Shanghai Banking Corporation, expressed welcome for certain economic policies newly introduced by the Chinese Government, and took a very optimistic view on the economic outlook for Hong Kong. He said: The Hong Kong and Shanghai Banking Corporation will further expand its business operations in China and in Hong Kong, maintaining its primary position in Hong Kong's financial market.

The Chinese Government recently announced that more favorable terms would be granted to foreign businessmen investing in China. On this, Sandberg said that in the past, the Hong Kong and Shanghai Banking Corporation also heard of foreign businessmen's relevant complaints. They had run into various obstacles by investing in China. The margin of profit was too small for them. They were bitterly disappointed. In the first half of this year, the amount of foreign investment in China dropped 20 percent compared with the corresponding period last year. If more favorable terms can be given foreign businessmen and help is rendered them in solving certain problems and difficulties, it is believed that there will be more foreign businessmen investing in China. Only in this way can the aim of opening up to the outside world be really achieved.

On the Chinese Government's recent devaluation of the renminbi, Sandberg said that this was a realistic, responsible measure taken by the Chinese People's Bank. The readjustment of the value of renminbi to a realistic level can, on the one hand, serve to reduce imports and cool "import fever." On the other hand, it can help increase the competitiveness of China's export products, boost China's exports and bring about an appropriate increase in China's foreign exchange earnings. This is the most ideal result.

Recalling the Hong Kong and Shanghai Banking Corporation's expansion of operations in China in recent years, Sandberg pointed out that the establishment of business links with China has a long history. There was not even an interruption

during the period of the War of Japanese Aggression Against China. At that time, the Hong Kong and Shanghai Banking Corporation still had business operations in Chongqing. Since 1979, with the introduction of a policy of opening up by China, the bank has additionally established branches in Shenzhen and Xiamen and has set up offices in Beijing, Wuhan, Tianjin and Guangzhou. As far as foreign banks are concerned, the Hong Kong and Shanghai Corporation is the largest in China. This shows that the bank takes a very great interest in business in China. It has also achieved great results. He believed that the Hong Kong and Shanghai Banking Corporation would continuously increase its number of offices on the mainland.

Sandberg stressed that while developing its business operations in China and in other countries, the Hong Kong and Shanghai Banking Corporation has not reduced its investment and development projects in Hong Kong. The Hong Kong and Shanghai Banking Corporation ranks first in Hong Kong's financial market, and will in the future maintain such a position. To this end, the bank will keep improving its services and increase the variety of service items. It will especially strengthen services involving the realization of new scientific and technological achievements, such as electronic banking, global electronic financial service systems, and so forth. At present, the Hong Kong and Shanghai Banking Corporation has very seldom set up new branches in Hong Kong, but it may still establish new branches in new towns and newly-built residential areas.

He said frankly that Hong Kong has, up to this time, been an important market for the Hong Kong and Shanghai Banking Corporation.

On the banking conditions in Hong Kong, Sandberg said that given a developing and changing situation, Hong Kong has opened up to large foreign banks. This helps Hong Kong's financial development. But it has brought about more acute competition. Some small-sized Hong Kong banks can hardly operate on their own. As a result, many small banks have to rely on the support of big ones.

Touching on the outlook for Hong Kong's economic development this year, he said that as Hong Kong's economy chiefly relies on export business, its performance will be determined, to a large degree, by the conditions of large economically developed countries outside of Hong Kong, especially the conditions of the United States and the European Community's markets and the condition for economic development in China. The export business of Hong Kong is quite satisfactory this year. The only threat is the shadow of protectionism on the part of the United States and Europe. Despite this, the outlook for Hong Kong's economic development in the second half of this year and next year is relatively satisfactory.

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ZHONGGUO XINWEN SHE ON 'HEARTENING' DEVELOPMENTS, CHANGES

HK260859 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1442 GMT 25 Sep 86

[Commentary by ZHONGGUO XINWEN SHE reporter: "Hong Kong Developments and Changes Are More Heartening Than Disheartening"]

[Text] Hong Kong, 25 September (ZHONGGUO XINWEN SHE)--On the eve of the second anniversary of the initialing of the Sino-British Joint Declaration on the Hong Kong issue, we review Hong Kong's political and economic situation and discover that Hong Kong's political prospects have become clearer and the economic development is gratifying.

Since the initialing, both the Chinese and British Governments have constantly adhered to the spirit of the joint declaration and carried out close cooperation in maintaining Hong Kong's prosperity and stability, and this has achieved satisfactory results. The Sino-British Joint Liaison Group has already held three harmonious meetings and has made substantial progress in dealing with issues concerning Hong Kong's status in the Asian Development Bank, the General Agreement on Tariffs and Trade, international textile trade after 1997, and Hong Kong residents' travel documents regarding the wording of their right of residence in Hong Kong. Over the past 2 years, Chinese and British leaders have exchanged frequent visits. The visits have not only ensured the strict implementation of the joint declaration, but have also further advanced the two countries' bilateral relations.

The structure of the Draft Basic Law has won favorable comments from all the general public, and this shows that the work of the Hong Kong Special Administrative Region Basic Law Drafting and Consultative Committees is making smooth progress. People from various circles have shown their concern about the basic law and have been discussing it. This reflects Hong Kong people's confidence in Hong Kong's future. Although emigration of Hong Kong residents still continues, there are various reasons for these emigrations and basically they are normal. The controversy over the Daya Bay nuclear power plant has lasted for some time, but the basic issue has not been solved, and the mental balance of Hong Kong residents has not been affected. In general, Hong Kong's current social environment is stable, and people no longer feel perplexed and anxious.

Hong Kong's economic situation in the past 2 years has also been satisfactory. The vigorous recovery in the property market has added a motive force to

Hong Kong's economy. In the government's land auction hall, real estate agents again vied with each other in bidding huge amounts for land. Prices for large and luxurious residential buildings are rising again and sales of such buildings are increasing; while small and medium-sized residential units are always in great demand. Hong Kong's manufacturing industries, which rely heavily on exports, have also increased their production and business in spite of the prevailing trend of international protectionism. The domestic markets in Hong Kong are brisk and full of vigor. Investments are also active across the board and external funds have continuously poured into Hong Kong. Through reorganization and readjustment, Hong Kong's banking industry has been put on a more solid and sound foundation and is now expanding its business scope. The joint stock exchange has opened for operations and has promoted securities trading. Construction projects in both the public and private sectors are developing vigorously. The completion of the underground railway project on Hong Kong island, the railway electrification project, the new headquarters building for Hong Kong Bank, the building of Exchange Square, Ocean Center, Tai Koo Shing, Regent Garden, and New Town Plaza have made Hong Kong, a pearl in the East, more beautiful. At present, many large-scale projects are in progress, fully indicating Hong Kong's vigor and vitality.

Inflation and unemployment rates are less than 3 percent, and residents' real incomes and purchasing power have been increased. The Hong Kong Government's financial secretary expects that Hong Kong's economic growth rate will reach 5.6 percent this year. Facts show that developments over the past 2 years are more heartening than disheartening. Hong Kong's position as a world financial, communications, trade, and shipping center has been further strengthened.

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HONG KONG

BRIEFS

HONG KONG DOLLAR BONDS--Hong Kong, 23 September (XINHUA)--The China International Trust and Investment Corporation [CITIC] will issue Hong Kong dollar bonds in Hong Kong by the end of September. This was announced by the board of directors of this corporation today. The board announced that Bailida [4102 0448 6671] (Asia) Corporation had been entrusted to arrange the issuance of the Hong Kong dollar bonds. The bonds amount to some 350 million Hong Kong dollars and bear a fixed interest rate of 7.875 percent per year. The tenure of the bonds is 7 years. Funds raised by the issuance of these bonds will be used for general financing purposes. [Report: "The China International Trust and Investment Corporation to Issue Bonds in Hong Kong"] [Text] [Beijing XINHUA Hong Kong Service in Chinese 1133 GMT 23 Sep 86 HK] /12232

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